

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION**

**PETITION OF INLAND TELEPHONE COMPANY
TO RECEIVE SUPPORT FROM THE STATE UNIVERSAL
COMMUNICATIONS SERVICES PROGRAM**

**INLAND TELEPHONE COMPANY - SAC 522423
DUE AUGUST 1, 2018**

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6 **BEFORE THE WASHINGTON**
7 **UTILITIES AND TRANSPORTATION COMMISSION**

8 IN RE

9 PETITION OF INLAND TELEPHONE
10 COMPANY TO RECEIVE SUPPORT
11 FROM THE STATE UNIVERSAL
12 COMMUNICATIONS SERVICES
PROGRAM

DOCKET NO.
PETITION FOR SUPPORT

13 COMES NOW Inland Telephone Company d/b/a Inland Networks (the "Company"), and,
14 pursuant to Chapter 480-123 of the Washington Administrative Code ("WAC") including, but not
15 limited to, WAC 480-123-110, hereby petitions the Washington Utilities and Transportation
16 Commission (the "Commission") to receive support from the State Universal Communications
17 Services Program established in RCW 80.36.650 (the "Program") for the fiscal year ending June 30,
18 2019.

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21 **I. Demonstration of Eligibility under WAC 480-123-100**

- 22 1. WAC 480-123-100(1)(a): The Company is a local exchange company as defined in WAC
23 480-120-021 that serves less than forty thousand access lines within the state.
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- 1 2. WAC 480-123-100(1)(b): The Company is an incumbent local exchange carrier as defined
2 in 47 U.S.C. Sec. 251(h).
- 3 3. WAC 480-123-100(1)(c): The Company offers basic residential and business exchange
4 telecommunications services as set forth in WAC 480-120-021 and RCW 80.36.630.
- 5 4. WAC 480-123-100(1)(d): The Company's rates for residential local exchange service, plus
6 mandatory extended area service charges, are no lower than the local urban rate floor
7 established by the Commission as the benchmark rate based on the Federal Communications
8 Commission's national local urban rate floor pursuant to 47 C.F.R. Sec. 54.318 in effect on
9 the date of this Petition.
- 10 11 5. WAC 480-123-100(1)(e): The Company has been designated by the Commission as an
12 eligible telecommunications carrier for purposes of receiving federal universal services
13 support pursuant to 47 C.F.R. Part 54 Subpart D - Universal Service Support for High Cost
14 Areas with respect to the service area for which the Company is seeking Program support.

15 **II. Demonstration of Eligibility under WAC 480-123-110**

- 16 17 1. WAC 480-123-110(1)(a): The name of the legal entity that provides communications
18 services and is seeking Program support is as follows: Inland Telephone Company.
- 19 20 2. WAC 480-123-110(1)(b): A corporate organization chart showing the relationship between
21 the Company and all affiliates as defined in RCW 80.16.010 is attached hereto as Exhibit 1.
22 A detailed description of any transactions between the Company and the affiliates named in
23 Exhibit 1 recorded in the Company's operating accounts is attached hereto as Exhibit 2.

- 1 3. WAC 480-123-110(1)(c): A service area map for the Company can be found at Sheet Nos.
2 501, 502, 503, and 504 of the Company's Tariff WN U-7.
- 3 4. WAC 480-123-110(1)(d): A demonstration that the Company's customers are at risk of rate
4 instability or service interruption or cessation in the absence of support from the Program is
5 attached as Exhibit 3.
- 6 5. WAC 480-123-110(1)(e)(i): On the Commission's prescribed form, attached as Exhibit 4,
7 are copies of the Company's balance sheet as of December 31, 2017, and December 31,
8 2016, and copies of the Company's statements of income and retained earnings or margin for
9 the years ended December 31, 2017 and December 31, 2016.
- 10 6. WAC 480-123-110(1)(e)(ii): A copy of the Company's consolidated annual financial
11 statements for the years ended December 31, 2017 and December 31, 2016, are attached as
12 Exhibit 5.
- 13 7. WAC 480-123-110(1)(e)(iii): Information demonstrating the Company's earned rate of
14 return on a total Washington unseparated regulated operations basis for each of the two prior
15 years, calculated in the manner prescribed by the Commission, is provided in Exhibit 4.
- 16 8. WAC 480-123-110(1)(e)(iv): Information demonstrating the Company's earned return on
17 equity on a total company (regulated and non-regulated) Washington basis for each of the
18 two prior years, calculated in the manner prescribed by the Commission, is provided in
19 Exhibit 5.
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- 1 9. WAC 480-123-110(1)(e)(v): Information detailing all of the Company's revenues from the
2 statements of income and retained earnings or margin in the same format and detail as is
3 required to complete RUS Form 479 for the prior two years is presented on Exhibit 6.
- 4 10. WAC 480-123-110(1)(e)(vi): A statement under penalty of perjury from a Company officer
5 with personal knowledge and responsibility certifying that no corporate operations
6 adjustment to existing mechanisms required by the Federal Communications Commission
7 applied to the Company for the two prior years is attached hereto as Exhibit 7.
- 8 11. WAC 480-123-110(1)(e)(vii): Exhibit 4 contains additional supporting information
9 requested by the Commission.
- 10 12. WAC 480-123-110(1)(e)(viii): A statement under penalty of perjury from a Company
11 officer with personal knowledge and responsibility certifying that the Company complies
12 with state and federal accounting, cost allocation, and cost adjustment rules pertaining to
13 incumbent local exchange companies is attached as Exhibit 8.
- 14 13. WAC 480-123-110(1)(f): A complete copy of the FCC Form 481 filed by the Company or
15 on its behalf with the Federal Communications Commission for the calendar year preceding
16 the current year has already been filed with the Commission. See the Company's filing in
17 Docket No. UT-180004 filed on or about July 3, 2018.
- 18 14. WAC 480-123-110(1)(g): The number of residential local exchange access lines served by
19 the Company as of December 31, 2017, was 1,892 all of which were within the geographic
20 area for which the Company is seeking support. The number of residential local exchange
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1 access lines served by the Company as of December 31, 2016, was 1,838, all of which were
2 within the geographic area for which the Company is seeking support.

3 The number of business local exchange access lines served by the Company as of December
4 31, 2017, was 546, all of which were within the geographic area for which the Company is
5 seeking support. The number of business local exchange access lines served by the
6 Company as of December 31, 2016, was 589, all of which were within the geographic area
7 for which the Company is seeking support.

8 The monthly recurring rate charged by the Company for residential local exchange access
9 service on December 31, 2017, was: Dewatto exchange - \$22.00, Prescott exchange -
10 \$18.00, Roslyn exchange - \$18.00, and Uniontown exchange - \$18.00. The monthly
11 recurring rate charged by the Company for residential local exchange access service on
12 December 31, 2016, was: Dewatto exchange - \$22.00, Prescott exchange - \$18.00, Roslyn
13 exchange - \$18.00, and Uniontown exchange - \$18.00.

14 The rate charged by the Company for single line business local exchange access service on
15 December 31, 2017, was: Dewatto exchange - \$27.00, Prescott exchange - \$26.50, Roslyn
16 exchange - \$24.00, and Uniontown exchange - \$25.00. The rate charged by the Company
17 for single line business local exchange access service on December 31, 2016, was: Dewatto
18 exchange - \$27.00, Prescott exchange - \$26.50, Roslyn exchange - \$24.00, and Uniontown
19 exchange - \$25.00. (The Company has other business local exchange service rates, but the
20 Company understands that WAC 480-123-110(1)(g) is requesting the single line business
21 local exchange access service rate.)
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1 15. WAC 480-123-110(1)(h): The requested statement is attached as Exhibit 9.

2 16. The amount on Line 4, labeled 2011 ROR Carrier Base Period Revenue, of the CAF ICC

3 Data collection Report for the period 7/1/2018 - 6/30/2019 is \$1,223,317 and has not
4 changed from the last filing.

5 17. All exhibits attached hereto are incorporated in this Petition as though fully set forth.

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7 Respectfully submitted this 30th day of July, 2018.
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10 Inland Telephone Company
11 d/b/a Inland Networks
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13 CERTIFICATION

14 I, James K. Brooks, an officer of the Company that is responsible for the Company's
15 business and financial operations, hereby certify under penalty of perjury that the information and
16 representations set forth in the Petition, above, are accurate and the Company has not knowingly
17 withheld any information required to be provided to the Commission pursuant to the rules
18 governing the Program.


19 
20 By: James K. Brooks
21 Title: Treasurer/Controller
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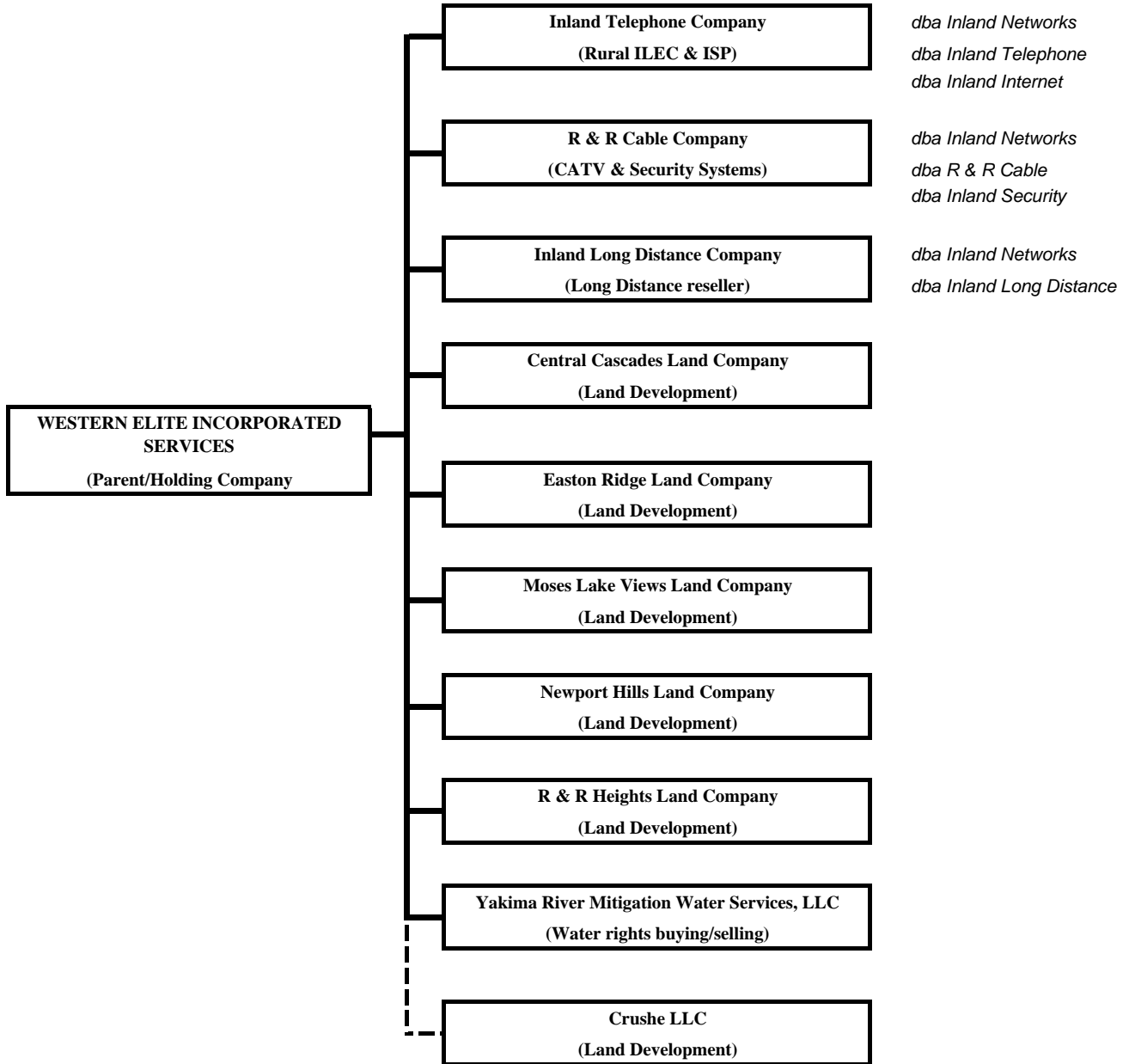
EXHIBIT 1

CORPORATE STRUCTURE

INLAND TELEPHONE COMPANY - SAC 522423

EXHIBIT 1

**CORPORATE ORGANIZATION CHART
AS OF DECEMBER 31, 2017**



NOTE: All of the entities shown above are wholly owned subsidiaries of Western Elite Incorporated Services and are either C-Corporations or limited liability companies. The members of Crushe LLC are also the shareholders of W.E.I.S.

DOCKET NO. UT-_____
PETITION OF INLAND TELEPHONE COMPANY
TO RECEIVE SUPPORT FROM THE STATE UNIVERSAL
COMMUNICATIONS SERVICES PROGRAM

EXHIBIT 2

AFFILIATED TRANSACTIONS

INLAND TELEPHONE COMPANY - SAC 522423

EXHIBIT 2

AFFILIATED TRANSACTIONS

Other than the purchase of tariffed services at tariffed rates, Inland Telephone Company reports the following affiliate transactions for the year ended December 31, 2017:

Shareholders – There are shareholders holding five percent or more of the stock, directly or indirectly, of the Company who are also employees of the Company and receive from the Company employment compensation together with employment associated benefits in accordance with the benefits plan that governs all employees.

Related Party Transactions:

R & R Cable Company – R & R Cable Company paid to ITC for contracted services for managing R & R Cable Company Internet service via cable modem outside of the ITC service area.

EXHIBIT 3

DEMONSTRATION OF RISK

INLAND TELEPHONE COMPANY - SAC 522423

EXHIBIT 3

DEMONSTRATION OF RISK OF RATE INSTABILITY OR SERVICE INTERRUPTION OR CESSATION

Inland Telephone Company (the "Company") faces two substantial challenges. The first is increasing competition. The second is a reduction in availability of the mechanisms that funded the Company's operations.

The Company has been working over the past several years to address growing competition; taking steps to increase the availability and attributes of advanced services offered by the Company, focusing on increasing broadband capacity and service offerings. This has resulted in the Company making substantial additional investments in regulated plant of approximately \$18,305,000 during the period January 1, 2012 through December 31, 2017.¹ During this time period, the Company borrowed approximately \$16,100,000 from the Rural Utility Service² in order to make the majority of these plant additions. The effect of this investment can be demonstrated by reference to the Income Statement. Line 44 of the Income Statement set out in Exhibit 4 of this Petition shows that the Company's debt service payments, pre-Part 64, totaled \$1,383,040 (\$1,071,834 principal and \$311,206 interest) in 2017. In comparison with 2016, the Company's debt service payments, pre-Part 64, totaled \$1,047,865 (\$762,650 principal and \$285,215 interest). This is an increase from 2016 to 2017 of \$297,723 or a 31.99 percent increase.

During 2017, the Company made a final payment of \$20,910 (\$18,663 principal and \$2,247 interest) on a 1986 Rural Telephone Bank loan. This is mentioned to underscore the long life of debt obligations. The current debt service payment obligations are projected to continue at approximately the 2017 amount through 2029.

The additions in plant included replacing the switching equipment at four exchange locations, adding new subscriber transmission equipment capable of providing broadband service, placing subscriber carrier equipment closer to subscribers to enhance broadband capacity, adding interexchange network infrastructure and adding fiber-to-the-premises in the Roslyn exchange. As a result, the Company has a substantial debt obligation to cover the investments that have been made. This investment, and additional future investments, will position the Company to meet increasing competition.

The overall financial condition of the Company is detailed on other Exhibits to this Petition. This information demonstrates that the Company's Net Operating Revenue (Exhibit 4, Income Statement, line 7) decreased by 10.08 percent comparing 2011 to 2017 (\$5,027,483 and \$4,520,644, respectively), and, when adjusted to eliminate the support from the State Universal Communications Services Program that is attributable to 2017 (\$380,278), the Company's Net Operating Revenue decreased by 17.65 percent comparing 2011 to 2017. Moreover, the

¹ This excludes investments in Idaho operations.

² Ibid.

Company's Net Operating Revenue decreased by 8.05 percent comparing 2016 to 2017 (\$4,916,679 and \$4,520,644, respectively), and, when adjusted to eliminate the support from the State Universal Communications Services Program that is attributable to 2017, the Company's Net Operating Revenue decreased by 9.70 percent comparing 2016 to 2017.

It is true that the Company's Total Net Income increased from \$287,103 to \$823,264 in 2017 (Exhibit 4, Income Statement, line 31). However, this booked increase is misleading. At the same time as the increase in Total Net Income, Operating Income (Exhibit 4, Income Statement, line 15) decreased from \$1,079,696 to \$426,571. Operating Income was primarily affected by the decrease in Net Operating Revenue of \$396,035 and the increase in depreciation expense of \$130,068.

The reason that the increase in Total Net Income is misleading is that the increase was affected by two events: first, the Company sold a non-regulated asset at a gain of \$344,018; and, second, the change in tax rates pursuant to the Tax Cuts and Jobs Act ("TCJA") created a non-cash tax benefit. Although the actual tax return has not been prepared and submitted to the Internal Revenue Service ("IRS"), the tax benefit was calculated pursuant to IRS Code and Generally Accepted Accounting Principles. The TCJA essentially decreased deferred taxes (Washington operations) by \$1,107,729 (pre-Part 64). Accordingly, for rate making and Universal Service Funds ("USF") purposes, this amount is added back into the 2017 Cost Study which will reduce the Rate Base and USF and will continue over the amortization period commencing with the 2018 Cost Study.³

As an example of why the State Universal Communications Services Program support is needed, the Company's receipt of revenue from the traditional Washington intrastate universal service access rate element and related pooling fund were terminated effective July 1, 2014. Since then, the loss of revenues derived from the traditional universal service access rate element has been off-set by revenues received by the Company as a result of its participation in the Program. Using 2012 as a base line, the Company is facing a loss of traditional universal service fund revenues of approximately \$79,875 per year if its participation in the Program is not renewed.

As another example, some of the financial uncertainty that the Company faces stems from the USF/ICC Transformation Order issued by the Federal Communications Commission.⁴ The USF/ICC Transformation Order has built in an automatic decline in the Company's intrastate and

³ At the time the information was submitted under Docket UT-180021, the Company did not realize what the actual impact was going to be. The Company thought that current deferred taxes could counter some of the effects of the TCJA. The actual effect was not what the Company initially projected.

⁴ *In the Matter of Connect America Fund, A National Broadband Plan for Our Future, Establishing Just and Reasonable Rates for Local Exchange Carriers, High-Cost Universal Service Support, Developing an Unified Intercarrier Compensation Regime, Federal-State Joint Board on Universal Service, Lifeline and Link-Up, Universal Service Reform - Mobility Fun*, WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (rel. Nov. 18, 2011)(*USF/ICC Transformation Order*).

interstate access revenues. The intercarrier compensation portion of the Transformation Order introduces a concept of a base line year for calculating terminating access and reciprocal compensation revenues and provides support from the Connect America Fund ("CAF") based on the base line year. However, the base line year revenues (from which the level of CAF support is derived) are reduced iteratively by five percent each year. "The CAF support reduction began in July 2012. Projecting through the year ending June 30, 2019, including reductions that will occur July 1, 2018, the Company has seen a reduction in support from the base line revenue of approximately \$369,029.

On top of all this, during the seven-year period ended December 31, 2017, the Company has seen its total federal high cost support undergo a significant reduction, declining from \$1,634,310 in 2011 to \$882,541 (excluding CAF support) in 2017.

These factors, among others, have led to the strained financial condition of the Company as reflected in the financial reports that are part of the Petition. The Company has looked for ways to lower expenses. However, much of the Company's operating expenses are fixed obligations, such as debt-related payments which have increased as explained above.

The combination of factors noted above creates a situation in which, without support from the state universal communications services program, the Company may be faced with a choice of increasing rates further or reducing service in order to be able to match expenses to revenues. The dilemma presented by these choices reflects the risk of rate instability or service interruption or cessation to which the Company is subject. The Company believes that its continued investment in broadband will eventually lead to a more stable financial condition as it provides a strong rural broadband network. However, that is a developing and ongoing scenario which will need more time to come to full fruition.

EXHIBIT 4

**FINANCIAL STATEMENT TEMPLATE &
SUPPLEMENT (JURISDICTIONAL RECONCILIATION)**

INLAND TELEPHONE COMPANY - SAC 522423

INLAND TELEPHONE COMPANY

STATE USF FILING

FINANCIAL TEMPLATE

NON-"S CORP" COMPANIES

State USF Petition Filing Requirement -WAC 480-123-110 (1)(e)
 Prior Year Balance Sheet

Company Name: (Below)
 Inland Telephone Company

ASSETS	Balance End of Year 2016 (A)	Part 64 Adj to NonReg 2016 (B)	Adj. Balance End of Year 2016 (C)	LIABILITIES AND STOCKHOLDERS' EQUITY	Balance End of Year 2016 (A)	Part 64 Adj to NonReg 2016 (B)	Adj. Balance End of Year 2016 (C)
CURRENT ASSETS				CURRENT LIABILITIES			
1. Cash and Equivalents	391,052		391,052	25. Accounts Payable	260,605		260,605
2. Cash-RUS Construction Fund	707,373		707,373	26. Notes Payable			0
3. Affiliates:				27. Advance Billings and Payments			0
a. Telecom, Accounts Receivable			0	28. Customer Deposits	2,324		2,324
b. Other Accounts Receivable			0	29. Current Mat. L/T Debt	1,111,275	(93,859)	1,017,416
c. Notes Receivable			0	30. Current Mat. L/T Debt Rur. Dev.			0
4. Non-Affiliates:				31. Current Mat. - Capital Leases			0
a. Telecom, Accounts Receivable	329,752	(90,427)	239,325	32. Income Taxes Accrued	20		20
b. Other Accounts Receivable			0	33. Other Taxes Accrued	75,641		75,641
c. Notes Receivable			0	34. Other Current Liabilities	519,318		519,318
5. Interest and Dividends Receivable			0	35. Total Current Liabilities (25 thru 34)	1,969,183	(93,859)	1,875,324
6. Material-Regulated	270,709		270,709	LONG-TERM DEBT			
7. Material-Nonregulated			0	36. Funded Debt-RUS Notes	42,560	(3,595)	38,965
8. Prepayments	88,993		88,993	37. Funded Debt-RTB Notes	42	(4)	38
9. Other Current Assets			0	38. Funded Debt-FFB Notes	14,282,455	(1,206,309)	13,076,146
10. Total Current Assets (1 Thru 9)	1,787,879	(90,427)	1,697,452	39. Funded Debt-Other	(3,715)		(3,715)
NONCURRENT ASSETS				40. Funded Debt-Rural Develop. Loan			0
11. Investment in Affiliated Companies				41. Premium (Discount) on L/T Debt			0
a. Rural Development	808,606		808,606	42. Reacquired Debt			0
b. Nonrural Development	0		0	43. Obligations Under Capital Lease			0
12. Other Investments				44. Adv. From Affiliated Companies			0
a. Rural Development	0		0	45. Other Long-Term Debt			0
b. Nonrural Development	236,241		236,241	46. Total Long-Term Debt (36 thru 45)	14,321,342	(1,209,908)	13,111,434
13. Nonregulated Investments (B1)	1,709,626	2,391,166	4,100,792	OTHER LIAB. & DEF. CREDITS			
14. Other Noncurrent Assets	250		250	47. Other Long-Term Liabilities			0
15. Deferred Charges			0	48. Deferred Income Taxes	2,860,121	(246,844)	2,613,277
16. Jurisdictional Differences			0	49. Other Deferred Credits (D)	(1,660,535)	32,219	(1,628,316)
17. Total noncurrent Assets (11 thru 16)	2,754,723	2,391,166	5,145,889	50. Other Jurisdictional Differences			0
PLANT, PROPERTY AND EQUIPMENT				51. Total Other Liab. & Def. Credits (47 thru 50)	1,199,586	(214,625)	984,961
18. Telecom Plant-In-Service	33,544,644	(2,833,212)	30,711,432	EQUITY			
19. Property Held for Future Use	312,104		312,104	52. Cap. Stock Outstanding & Subscribed	93,150		93,150
20. Plant Under Construction	328,995	(32,728)	296,267	53. Additional Paid-in-Capital	7,175		7,175
21. Plant Adj., Nonop Plant & Goodwill			0	54. Treasury Stock			0
22. Accumulated Depreciation (CR.)	(15,732,934)	565,201	(15,167,733)	55. Membership and Capital Certificates			0
23. Net Plant (18 thru 21 less 22)	18,452,809	(2,300,739)	16,152,070	56. Other Capital			0
24. TOTAL ASSETS (10+17+23)	22,995,411	0	22,995,411	57. Patronage Capital Credits			0
				58. Retained Earnings or Margins (B2)	5,404,975	1,518,392	6,923,367
				59. Total Equity (52 thru 58)	5,505,300	1,518,392	7,023,692
				60. TOTAL LIABILITIES AND EQUITY (35+46+51+59)	22,995,411	0	22,995,411

Footnotes:

- (A) - As reported on RUS Form 479
- (B) - Part 64 adjustments from regulated to nonregulated.
- (C) - Adjusted Balance after Part 64

Footnotes:

- (B1) - Part 64 offset to nonreg investment
- (B2) - Part 64 offset to retained earnings
- (D) - Excludes deferred taxes

State USF Petition Filing Requirement -WAC 480-123-110(1)(e)
Current Year Balance Sheet

Company Name: (Below)
Inland Telephone Company

ASSETS	Balance End of Year 2017 (A)	Part 64 Adj to NonReg 2017 (B)	Adj. Balance End of Year 2017 (C)	LIABILITIES AND STOCKHOLDERS' EQUITY	Balance End of Year 2017 (A)	Part 64 Adj to NonReg 2017 (B)	Adj. Balance End of Year 2017 (C)
CURRENT ASSETS				CURRENT LIABILITIES			
1. Cash and Equivalents	311,540		311,540	25. Accounts Payable	195,519		195,519
2. Cash-RUS Construction Fund	1,068,000		1,068,000	26. Notes Payable			0
3. Affiliates:				27. Advance Billings and Payments			0
a. Telecom, Accounts Receivable			0	28. Customer Deposits	2,370		2,370
b. Other Accounts Receivable			0	29. Current Mat. L/T Debt	1,047,525	(96,508)	951,017
c. Notes Receivable			0	30. Current Mat. L/T Debt Rur. Dev.			0
4. Non-Affiliates:				31. Current Mat. - Capital Leases			0
a. Telecom, Accounts Receivable	708,417	(290,536)	417,881	32. Income Taxes Accrued			0
b. Other Accounts Receivable			0	33. Other Taxes Accrued	65,144		65,144
c. Notes Receivable			0	34. Other Current Liabilities	561,570		561,570
5. Interest and Dividends Receivable			0	35. Total Current Liabilities (25 thru 34)	1,872,128	(96,508)	1,775,620
6. Material-Regulated	271,274		271,274	LONG-TERM DEBT			
7. Material-Nonregulated			0	36. Funded Debt-RUS Notes	18,797	(1,732)	17,065
8. Prepayments	145,154		145,154	37. Funded Debt-RTB Notes			0
9. Other Current Assets			0	38. Funded Debt-FFB Notes	12,718,026	(1,171,709)	11,546,317
10. Total Current Assets (1 Thru 9)	2,504,385	(290,536)	2,213,849	39. Funded Debt-Other	(3,231)	298	(2,933)
NONCURRENT ASSETS				40. Funded Debt-Rural Develop. Loan			0
11. Investment in Affiliated Companies				41. Premium (Discount) on L/T Debt			0
a. Rural Development	1,989,282		1,989,282	42. Reacquired Debt			0
b. Nonrural Development			0	43. Obligations Under Capital Lease			0
12. Other Investments				44. Adv. From Affiliated Companies			0
a. Rural Development			0	45. Other Long-Term Debt			0
b. Nonrural Development	248,764		248,764	46. Total Long-Term Debt (36 thru 45)	12,733,592	(1,173,143)	11,560,449
13. Nonregulated Investments (B1)	873,407	2,470,877	3,344,284	OTHER LIAB. & DEF. CREDITS			
14. Other Noncurrent Assets	250		250	47. Other Long-Term Liabilities			0
15. Deferred Charges			0	48. Deferred Income Taxes	1,789,409	(165,998)	1,623,411
16. Jurisdictional Differences			0	49. Other Deferred Credits (D)	236,515	21,150	257,665
17. Total noncurrent Assets (11 thru 16)	3,111,703	2,470,877	5,582,580	50. Other Jurisdictional Differences			0
PLANT, PROPERTY AND EQUIPMENT				51. Total Other Liab. & Def. Credits (47 thru 50)	2,025,924	(144,848)	1,881,076
18. Telecom Plant-In-Service	31,138,653	(2,882,592)	28,256,061	EQUITY			
19. Property Held for Future Use	10,213		10,213	52. Cap. Stock Outstanding & Subscribed	93,150		93,150
20. Plant Under Construction	66,912		66,912	53. Additional Paid-in-Capital	7,175		7,175
21. Plant Adj., Nonop Plant & Goodwill			0	54. Treasury Stock			0
22. Accumulated Depreciation (CR.)	(14,116,291)	702,251	(13,414,040)	55. Membership and Capital Certificates			0
23. Net Plant (18 thru 21 less 22)	17,099,487	(2,180,341)	14,919,146	56. Other Capital			0
24. TOTAL ASSETS (10+17+23)	22,715,575	0	22,715,575	57. Patronage Capital Credits			0
				58. Retained Earnings or Margins (B2)	5,983,606	1,414,499	7,398,105
				59. Total Equity (52 thru 58)	6,083,931	1,414,499	7,498,430
				60. TOTAL LIABILITIES AND EQUITY (35+46+51+59)	22,715,575	0	22,715,575

Footnotes:

- (A) - As reported on RUS Form 479
- (B) - Part 64 adjustments from regulated to nonregulated.
- (C) - Adjusted Balance after Part 64

Footnotes:

- (B1) - Part 64 offset to nonreg investment
- (B2) - Part 64 offset to retained earnings
- (D) - Excludes deferred taxes

State USF Petition Filing Requirement -WAC 480-123-110 (1)(e)
 Prior and Current Year Balance Sheet

Company Name: (Below)
 Inland Telephone Company

ASSETS	Adjusted Prior Year Balance 2016	Adjusted Current Year Balance 2017	LIABILITIES AND STOCKHOLDERS' EQUITY	Adjusted Prior Year Balance 2016	Adjusted Current Year Balance 2017
CURRENT ASSETS			CURRENT LIABILITIES		
1. Cash and Equivalents	391,052	311,540	25. Accounts Payable	260,605	195,519
2. Cash-RUS Construction Fund	707,373	1,068,000	26. Notes Payable	0	0
3. Affiliates:			27. Advance Billings and Payments	0	0
a. Telecom, Accounts Receivable	0	0	28. Customer Deposits	2,324	2,370
b. Other Accounts Receivable	0	0	29. Current Mat. L/T Debt	1,017,416	951,017
c. Notes Receivable	0	0	30. Current Mat. L/T Debt Rur. Dev.	0	0
4. Non-Affiliates:			31. Current Mat. - Capital Leases	0	0
a. Telecom, Accounts Receivable	239,325	417,881	32. Income Taxes Accrued	20	0
b. Other Accounts Receivable	0	0	33. Other Taxes Accrued	75,641	65,144
c. Notes Receivable	0	0	34. Other Current Liabilities	519,318	561,570
5. Interest and Dividends Receivable	0	0	35. Total Current Liabilities (25 - 34)	1,875,324	1,775,620
6. Material-Regulated	270,709	271,274	LONG-TERM DEBT		
7. Material-Nonregulated	0	0	36. Funded Debt-RUS Notes	38,965	17,065
8. Prepayments	88,993	145,154	37. Funded Debt-RTB Notes	38	0
9. Other Current Assets	0	0	38. Funded Debt-FFB Notes	13,076,146	11,546,317
10. Total Current Assets (1 Thru 9)	1,697,452	2,213,849	39. Funded Debt-Other	(3,715)	(2,933)
NONCURRENT ASSETS			40. Funded Debt-Rural Develop. Loan	0	0
11. Investment in Affiliated Companies			41. Premium (Discount) on L/T Debt	0	0
a. Rural Development	808,606	1,989,282	42. Reacquired Debt	0	0
b. Nonrural Development	0	0	43. Obligations Under Capital Lease	0	0
12. Other Investments			44. Adv. From Affiliated Companies	0	0
a. Rural Development	0	0	45. Other Long-Term Debt	0	0
b. Nonrural Development	236,241	248,764	46. Total Long-Term Debt (36-45)	13,111,434	11,560,449
13. Nonregulated Investments	4,100,792	3,344,284	OTHER LIAB. & DEF. CREDITS		
14. Other Noncurrent Assets	250	250	47. Other Long-Term Liabilities	0	0
15. Deferred Charges	0	0	48. Deferred Income Taxes	2,613,277	1,623,411
16. Jurisdictional Differences	0	0	49. Other Deferred Credits	(1,628,316)	257,665
17. Total noncurrent Assets (11 thru 16)	5,145,889	5,582,580	50. Other Jurisdictional Differences	0	0
PLANT, PROPERTY AND EQUIPMENT			51. Total Other Liab. & Def. Credits (47 thru 50)	984,961	1,881,076
18. Telecom Plant-in-Service	30,711,432	28,256,061	EQUITY		
19. Property Held for Future Use	312,104	10,213	52. Cap. Stock Outstanding & Subscribed	93,150	93,150
20. Plant Under Construction	296,267	66,912	53. Additional Paid-in-Capital	7,175	7,175
21. Plant Adj., Nonop Plant & Goodwill	0	0	54. Treasury Stock	0	0
22. Accumulated Depreciation (CR.)	(15,167,733)	(13,414,040)	55. Membership and Capital Certificates	0	0
23. Net Plant (18 thru 21 less 22)	16,152,070	14,919,146	56. Other Capital	0	0
24. TOTAL ASSETS (10+17+23)	22,995,411	22,715,575	57. Patronage Capital Credits	0	0
			58. Retained Earnings or Margins	6,923,367	7,398,105
			59. Total Equity (52 thru 58)	7,023,692	7,498,430
			59. TOTAL LIABILITIES AND EQUITY (35+46+51+59)	22,995,411	22,715,575

Footnote:
 Adjusted Balances represents balances
 after Part 64 adjustments.

State USF Petition Filing Requirement - WAC 480-123-110 (1)(e)
 Prior and Current Year Rate Base

Company Name: (Below)
 Inland Telephone Company _____

Line #	Description	B/S Line #	Adj. Balance End of Year 2016	Adj. Balance End of Year 2017	Average Adj End of Year Balance
Average Rate Base:					
1	Total Regulated Adjusted Telecom Plant-In-Service	18	30,711,432	28,256,061	29,483,747
2	Total Property Held for Future Use	19	312,104	10,213	161,159
3	Total Regulated Adjusted Accumulated Depreciation (CR)	22	(15,167,733)	(13,414,040)	(14,290,887)
4	Total Regulated Materials & Supplies	6	270,709	271,274	270,992
5	Deferred Income Taxes (CR) * - Manually input		(2,613,277)	(1,623,411)	(2,118,344)
6	Total Regulated Rate Base		13,513,235	13,500,097	13,506,666

Footnotes:

1. Normal balance of deferred operating income taxes and accumulated depreciation is a credit.
- * 2. Deferred Income Taxes (Line 5) may not equal the Balance Sheet Deferred Income Taxes (Line 48) if the later includes non-operating.
3. Adjusted balance includes Part 64 adjustments

State USF Petition Filing Requirement - WAC 480-123-110 (1)(e)
Prior and Current Year Access Lines

Company Name: (Below)
 Inland Telephone Company _____

Line #	Description	Prior Year End of Yr. Balance - 2016	Current Year End of Yr. Balance - 2017	Difference	% Change
	Access Lines:				
1	Residential	1,838	1,892	54	2.9%
2	Business	589	546	(43)	-7.3%
3	Total	2,427	2,438	11	0.5%

Note: If 2016 does not equal last year's petition and template, explain.

State USF Petition Filing Requirement -WAC 480-123-110 (1)(e)
 Prior Year Income Statement

Company Name: (Below)
 Inland Telephone Company

Line #	Description	Prior Year 2016 (A)	Part 64 Adj. to NonReg (B)	Prior Year Adjusted 2016 (C)
1	Local Network Services Revenues	608,760		608,760
2	Network Access Services Revenues	4,225,985		4,225,985
3	Long Distance Network Services Revenues	507		507
4	Carrier Billing and Collection Revenues	42,364		42,364
5	Miscellaneous Revenues	41,034		41,034
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(1,971)		(1,971)
7	Net Operating Revenues (1 thru 6)	4,916,679	0	4,916,679
8	Plant Specific Operations Expense	1,229,059	(45,804)	1,183,255
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	392,187	(17,869)	374,318
10	Depreciation Expense	1,189,164	(93,349)	1,095,815
11	Amortization Expense	182		182
12	Customer Operations Expense	503,533	(114,812)	388,721
13	Corporate Operations	816,755	(22,063)	794,692
14	Total Operations Expenses (8 thru 13)	4,130,880	(293,897)	3,836,983
15	Operating Income or Margins (7 less 14)	785,799	293,897	1,079,696
16	Other Operating Income and Expenses ()			0
17	State and Local Taxes	132,426	(12,751)	119,675
18	Federal Income Taxes (A1) - (LINE IS ZERO IF COMPANY IS S CORP)	176,593	20,592	197,185
19	Other Taxes			0
20	Total Operating Taxes (17+18+19)	309,019	7,841	316,860
21	Net Operating Income or Margins (15+16-20)	476,780	286,056	762,836
22	Interest on Funded Debt	253,348	(24,090)	229,258
23	Interest Expense - Capital Leases			0
24	Other Interest Expense	3,144	(265)	2,879
25	Allowance for Funds Used During Construction (Record as a Credit)	(96,225)	8,127	(88,098)
26	Total Fixed Charges (22+23+24+25)	160,267	(16,228)	144,039
27	Nonoperating Net Income	(6,344)		(6,344)
28	Extraordinary Items			0
29	Jurisdictional Differences			0
30	Nonregulated Net Income (B1)	(23,066)	(302,284)	(325,350)
31	Total Net Income or Margins (21+27+28+29+30-26)	287,103	0	287,103
32	Total Taxes Based on Income			
33	Retained Earning or Margins Beginning-of-Year	4,569,016	320,365	4,889,381
34	Miscellaneous Credits Year-to-Date	548,856	1,198,027	1,746,883
35	Dividends Declared (Common)			0
36	Dividends Declared (Preferred)			0
37	Other Debits Year-to-Date			0
38	Transfers to Patronage Capital			0
39	Retained Earnings End-of-Period ((31+33+34)-(35+36+37+38))(A2)	5,404,975	1,518,392	6,923,367
40	Patronage Capital Beginning-of-Year			0
41	Transfers to Patronage Capital			0
42	Patronage Capital Credits Retired			0
43	Patronage Capital End-of-Year (40+41-42)	0	0	0
44	Annual Debt Service Payments	1,047,865		1,047,865
45	Cash Ratio ((14+20-10-11)/7)	0.6611	#DIV/0!	0.6219
46	Operating Accrual Ratio ((14+20+26)/7)	0.9356	#DIV/0!	0.8741
47	TIER ((31+26)/26)	2.7914	1.0000	2.9932
48	DSCR ((31+26+10+11)/44)	1.5620	#DIV/0!	1.4574

Footnotes:

- (A) As reported on RUS Form 479
- (A1) S Corps provide effective tax rate from Cost study on Page 9, Income Statement Summary Schedule Footnote
- (A2) Column A, Line 39 must equal Column A, Line 58 of Page 2, Balance Sheet
- (B) Part 64 adjustment from regulated to nonregulated
- (B1) Column B, automatic offset to Nonregulated Net Income (No impact to Retained Earnings)
- (C) Adjusted balance after Part 64 adjustments

State USF Petition Filing Requirement -WAC 480-123-110 (1)(e)
 Current Year Income Statement

Company Name: (Below)
 Inland Telephone Company

Line #	Description	Current Year 2017 (A)	Part 64 Adj. to NonReg (B)	Current Year Adjusted 2017 (C)
1	Local Network Services Revenues	626,725		626,725
2	Network Access Services Revenues	3,806,285		3,806,285
3	Long Distance Network Services Revenues	90		90
4	Carrier Billing and Collection Revenues	34,605		34,605
5	Miscellaneous Revenues	55,172		55,172
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(2,233)		(2,233)
7	Net Operating Revenues (1 thru 6)	4,520,644	0	4,520,644
8	Plant Specific Operations Expense	1,370,297	(68,358)	1,301,939
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	436,945	(23,932)	413,013
10	Depreciation Expense	1,372,706	(146,823)	1,225,883
11	Amortization Expense	182		182
12	Customer Operations Expense	506,046	(115,887)	390,159
13	Corporate Operations	780,393	(17,496)	762,897
14	Total Operations Expenses (8 thru 13)	4,466,569	(372,496)	4,094,073
15	Operating Income or Margins (7 less 14)	54,075	372,496	426,571
16	Other Operating Income and Expenses ()			0
17	State and Local Taxes	166,359	(19,123)	147,236
18	Federal Income Taxes (A1) - (LINE IS ZERO IF COMPANY IS S CORP)	(798,904)	47,444	(751,460)
19	Other Taxes			0
20	Total Operating Taxes (17+18+19)	(632,545)	28,321	(604,224)
21	Net Operating Income or Margins (15+16-20)	686,620	344,175	1,030,795
22	Interest on Funded Debt	311,025	(28,655)	282,370
23	Interest Expense - Capital Leases			0
24	Other Interest Expense	18		18
25	Allowance for Funds Used During Construction (Record as a Credit)	(4,316)	398	(3,918)
26	Total Fixed Charges (22+23+24+25)	306,727	(28,257)	278,470
27	Nonoperating Net Income	316,751		316,751
28	Extraordinary Items			0
29	Jurisdictional Differences			0
30	Nonregulated Net Income (B1)	126,622	(372,432)	(245,810)
31	Total Net Income or Margins (21+27+28+29+30-26)	823,266	0	823,266
32	Total Taxes Based on Income			
33	Retained Earning or Margins Beginning-of-Year	5,404,975	1,518,392	6,923,367
34	Miscellaneous Credits Year-to-Date	(244,635)	(103,893)	(348,528)
35	Dividends Declared (Common)			0
36	Dividends Declared (Preferred)			0
37	Other Debits Year-to-Date			0
38	Transfers to Patronage Capital			0
39	Retained Earnings End-of-Period ((31+33+34)-(35+36+37+38))(A2)	5,983,606	1,414,499	7,398,105
40	Patronage Capital Beginning-of-Year			0
41	Transfers to Patronage Capital			0
42	Patronage Capital Credits Retired			0
43	Patronage Capital End-of-Year (40+41-42)	0	0	0
44	Annual Debt Service Payments	1,383,040		1,383,040
45	Cash Ratio ((14+20-10-11)/7)	0.5444	#DIV/0!	0.5008
46	Operating Accrual Ratio ((14+20+26)/7)	0.9160	#DIV/0!	0.8336
47	TIER ((31+26)/26)	3.6840	1.0000	3.9564
48	DSCR ((31+26+10+11)/44)	1.8097	#DIV/0!	1.6831

Footnotes:

- (A) As reported on RUS Form 479
- (A1) S Corps provide effective tax rate from Cost study on Page 9, Income Statement Summary Schedule Footnote
- (A2) Column A, Line 39 must equal Column A, Line 58 of Page 3, Balance Sheet
- (B) Part 64 adjustment from regulated to nonregulated
- (B1) Column B, automatic offset to Nonregulated Net Income (No Impact to Retained Earnings)
- (C) Adjusted balance after Part 64 adjustments

State USF Petition Filing Requirement -WAC 480-123-110 (1)(e)
 Prior and Current Year Income Statement

Company Name:

Inland Telephone Company

Line #	Description	Adjusted Prior Year 2016	Adjusted Current Year 2017
1	Local Network Services Revenues	608,760	626,725
2	Network Access Services Revenues	4,225,985	3,806,285
3	Long Distance Network Services Revenues	507	90
4	Carrier Billing and Collection Revenues	42,364	34,605
5	Miscellaneous Revenues	41,034	55,172
6	Uncollectible Revenues (Normal Balance is debit or in brackets)	(1,971)	(2,233)
7	Net Operating Revenues (1 thru 6)	4,916,679	4,520,644
8	Plant Specific Operations Expense	1,183,255	1,301,939
9	Plant Nonspecific Operations Expense (excluding Depreciation & Amort.)	374,318	413,013
10	Depreciation Expense	1,095,815	1,225,883
11	Amortization Expense	182	182
12	Customer Operations Expense	388,721	390,159
13	Corporate Operations	794,692	762,897
14	Total Operations Expenses (8 thru 13)	3,836,983	4,094,073
15	Operating Income or Margins (7 less 14)	1,079,696	426,571
16	Other Operating Income and Expenses ()	0	0
17	State and Local Taxes	119,675	147,236
18	Federal Income Taxes (A1) - (LINE IS ZERO IF COMPANY IS S CORP)	197,185	(751,460)
19	Other Taxes	0	0
20	Total Operating Taxes (17+18+19)	316,860	(604,224)
21	Net Operating Income or Margins (15+16-20)	762,836	1,030,795
22	Interest on Funded Debt	229,258	282,370
23	Interest Expense - Capital Leases	0	0
24	Other Interest Expense	2,879	18
25	Allowance for Funds Used During Construction (Record as a Credit)	(88,098)	(3,918)
26	Total Fixed Charges (22+23+24+25)	144,039	278,470
27	Nonoperating Net Income	(6,344)	316,751
28	Extraordinary Items	0	0
29	Jurisdictional Differences	0	0
30	Nonregulated Net Income	(325,350)	(245,810)
31	Total Net Income or Margins (21+27+28+29+30-26)	287,103	823,266
32	Total Taxes Based on Income		
33	Retained Earning or Margins Beginning-of-Year	4,889,381	6,923,367
34	Miscellaneous Credits Year-to-Date	1,746,883	(348,528)
35	Dividends Declared (Common)	0	0
36	Dividends Declared (Preferred)	0	0
37	Other Debits Year-to-Date	0	0
38	Transfers to Patronage Capital	0	0
39	Retained Earnings or Margins End-of-Period ((31+33+34)-(35+36+37+38))	6,923,367	7,398,105
40	Patronage Capital Beginning-of-Year	0	0
41	Transfers to Patronage Capital	0	0
42	Patronage Capital Credits Retired	0	0
43	Patronage Capital End-of-Year (40+41-42)	0	0
44	Annual Debt Service Payments	1,047,865	1,383,040
45	Cash Ratio ((14+20-10-11)/7)	0.6219	0.5008
46	Operating Accrual Ratio ((14+20+26)/7)	0.8741	0.8336
47	TIER ((31+26)/26)	2.9932	3.9564
48	DSCR ((31+26+10+11)/44)	1.46	1.6831

Footnote

2016

2017

(A1) S Corporation Effective Tax Rate (2 decimal places):

Note:

Adjusted Income Statement reflects Part 64 Adjustments (Regulated to Nonregulated).

State USF Petition Filing Requirement -WAC 480-123-110 (1)(e)
Prior and Current Year Access Revenue Detail

Company Name: (Below)
 Inland Telephone Company _____

Line #	Description	Part 32 Account	Prior Year 2016	Current Year 2017
1	End User Revenue (SLC, ARC, etc.)	5081	269,595	294,186
2	Switched Access (excluding USF):	5082		
2a	Intrastate		92,231	74,963
2b	Interstate (includes CAF)		367,944	336,903
3	Special Access:	5083		
3a	Intrastate		15,370	15,370
3b	Interstate		1,984,279	1,812,651
4	Federal USF (except CAF and ACAM/BLS)	Varies	232,508	107,250
5	Federal USF (ACAM or BLS)	Varies	923,988	775,291
6	State USF	Varies	331,703	380,278
7	Other*		8,367	9,393
8	Total (must equal line 2 of Income Stmt.)		4,225,985	3,806,285
9	Line 2 of Income Stmt.		4,225,985	3,806,285
10	Difference		0	0

Footnote:

* - if > than 5% of Access revenue total,
 provide description below.

NOTE: NECA Settlements are included in lines 2b and 3b.

State USF Petition Filing Requirement - WAC 480-123-110 (1)(e)
Out-of-Period and Pro Forma Adjustments

Company Name: (Below)
 Inland Telephone Company

Description of Out-of-Period (OOP) - 2017 (As Recorded) OR Pro Forma (PF) Adjustment for Current Year Petition or Reversing from Prior Year	Year	OOP or PF?	Part 32 Account	
			Debit	Credit
Adjustment #1: Deferred Taxes - \$1,107,729 (pre-Part 64) is attributable to the Tax Cuts and Jobs Act (TCJA)(Reduction of tax rate to 21%). This amount is not included in the audited financial statements (per GAAP) however, for rate making, this amount will be added back to Deferred Taxes and amortized over 15 years per Exhibit 3 to the Information Request regarding the TCJA in Docket UT-180021. <u>2017 Study Adjustment</u> A/C 7250 Deferred Operating FIT A/C 4340 Deferred Taxes	2017 forward	PF	\$ 1,107,729	\$ 1,107,729
Adjustment #2:				
Adjustment #3:				
Adjustment #4				
Adjustment #5				

State USF Petition Filing Requirement -WAC 480-123-110 (1)(e)
 Rate of Return and Consolidated Return on Equity

Company Name: (Below)
Inland Telephone Company

Line #	Description	Company 2017 (A)	Staff 2017 (B)
1	Rate Base (Jan. 1)	13,513,235	13,513,235
2	Rate Base (Dec 31)	13,500,097	13,500,097
3	Average Rate Base	13,506,666	13,506,666
4	Net Operating Income	1,030,795	1,030,795
5	Out-of-Period Adjustments Net of FIT		
6	Adjusted Net Operating Income	1,030,795	1,030,795
7	Earned Regulated Rate of Return	7.63%	7.63%

Footnotes:

- (A) Column A to be completed by Company,
- (B) Column B should equal Column A, but may include any Staff Adjustments

WASHINGTON 534											
INLAND TELEPHONE COMPANY											
BALANCE SHEET - RECONCILIATION											
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2017											
Line #		Total Year 2016	Total Idaho Year 2016	Total Washington Year 2016	Part 64 Adj. to NonReg	Prior Year Adjusted 2016	Total This Year 2017	Total Idaho This Year 2017	Total Washington This Year 2017	Part 64 Adj. to NonReg	This Year Adjusted 2017
ASSETS											
CURRENT ASSTES											
1	Cash and Equivalents	391,052		391,052		391,052	311,540		311,540		311,540
2	Cash-RUS Construction Fund	707,373		707,373		707,373	1,068,000		1,068,000		1,068,000
3	Affiliates:										
	a. Telecom. Accounts Receivable			0		0			0		0
	b. Other Accounts Receivable			0		0			0		0
	c. Notes Receivable			0		0			0		0
4	Non-Affiliates										
	a. Telecom. Accounts Receivable	376,357	46,605	329,752	(90,427)	239,325	729,180	20,763	708,417	(290,536)	417,881
	b. Other Accounts Receivable			0		0			0		0
	c. Notes Receivable			0		0			0		0
5	Interest and Dividends Receivable			0		0			0		0
6	Materials - Regulated	270,709		270,709		270,709	271,274		271,274		271,274
7	Materials - Nonregulated			0		0			0		0
8	Prepayments	88,993		88,993		88,993	145,154		145,154		145,154
9	Other Current Assets			0		0			0		0
10	Total Current Assets (1 thru 9)	1,834,484	46,605	1,787,879	(90,427)	1,697,452	2,525,148	20,763	2,504,385	(290,536)	2,213,849
NONCURRENT ASSTES											
11	Investments in Affiliated Companies										
	a. Rural Development	808,606		808,606		808,606	1,989,282		1,989,282		1,989,282
	b. Nonrural Development	0		0		0			0		0
12	Other Investments										
	a. Rural Development	0		0		0			0		0
	b. Nonrural Development	236,241		236,241		236,241	248,764		248,764		248,764
13	Nonregulated Investment	2,071,788	362,162	1,709,626	2,391,166	4,100,792	1,179,166	305,759	873,407	2,470,877	3,344,284
14	Other Noncurrent Assets	250		250		250	250		250		250
15	Deferred Charges	0		0		0			0		0
16	Jurisdictional Differences	0		0		0			0		0
17	Total Noncurrent Assets (11 thru 16)	3,116,885	362,162	2,754,723	2,391,166	5,145,889	3,417,462	305,759	3,111,703	2,470,877	5,582,580
PLANT, PROPERTY, AND EQUIPMENT											
18	Telecom. Plant-in-Service	37,510,983	3,966,339	33,544,644	(2,833,212)	30,711,432	35,417,418	4,278,765	31,138,653	(2,882,592)	28,256,061
19	Property Held for Future Use	312,104		312,104		312,104	10,213		10,213		10,213
20	Plant Under Construction	380,098	51,103	328,995	(32,728)	296,267	653,102	586,190	66,912		66,912
21	Plant Adj., Nonop. Plant & Goodwill			0		0			0		0
22	Less: Accumulated Depreciation (CR)	(18,990,699)	(3,257,765)	(15,732,934)	565,201	(15,167,733)	(17,221,627)	(3,105,336)	(14,116,291)	702,251	(13,414,040)
23	Net Plant (18 thru 22)	19,212,486	759,677	18,452,809	(2,300,739)	16,152,070	18,859,106	1,759,619	17,099,487	(2,180,341)	14,919,146
24	TOTAL ASSETS (10 + 17 + 23)	24,163,855	1,168,444	22,995,411	0	22,995,411	24,801,716	2,086,141	22,715,575	0	22,715,575

WASHINGTON 534											
INLAND TELEPHONE COMPANY											
BALANCE SHEET - RECONCILIATION											
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2017											
Line #		Total Year 2016	Total Idaho Year 2016	Total Washington Year 2016	Part 64 Adj. to NonReg	Prior Year Adjusted 2016	Total This Year 2017	Total Idaho This Year 2017	Total Washington This Year 2017	Part 64 Adj. to NonReg	This Year Adjusted 2017
LIABILITIES AND STOCKHOLDERS' EQUITY											
CURRENT LIABILITIES											
25	Accounts Payable	260,605		260,605		260,605	195,519		195,519		195,519
26	Notes Payable			0		0			0		0
27	Advance Billings and Payments			0		0			0		0
28	Customer Deposits	2,640	316	2,324		2,324	2,706	336	2,370		2,370
29	Current Mat. L/T Debt	1,132,800	21,525	1,111,275	(93,859)	1,017,416	1,100,063	52,538	1,047,525	(96,508)	951,017
30	Current Mat. L/T Debt-Rural Dev			0		0			0		0
31	Current Mat. L/T Debt-Capital Lease			0		0			0		0
32	Income Taxes Accrued	20		20		20			0		0
33	Other Taxes Accrued	83,701	8,060	75,641		75,641	68,435	3,291	65,144		65,144
34	Other Current Liabilities	519,318		519,318		519,318	561,570		561,570		561,570
35	Total Current Liabilities (25 thru 34)	1,999,084	29,901	1,969,183	(93,859)	1,875,324	1,928,293	56,165	1,872,128	(96,508)	1,775,620
LONG-TERM DEBT											
36	Funded Debt-RUS Notes	51,428	8,868	42,560	(3,595)	38,965	22,713	3,916	18,797	(1,732)	17,065
37	Funded Debt-RTB Notes	51	9	42	(4)	38			0		0
38	Funded Debt-FFB Notes	14,380,555	98,100	14,282,455	(1,206,309)	13,076,146	13,309,236	591,210	12,718,026	(1,171,709)	11,546,317
39	Funded Debt-Other	(3,715)		(3,715)		(3,715)	(3,904)	(673)	(3,231)	298	(2,933)
40	Funded Debt-Rural Development Loan			0		0			0		0
41	Premium (Discount) on L/T Debt			0		0			0		0
42	Reacquired Debt			0		0			0		0
43	Obligations Under Capital Lease			0		0			0		0
44	Adv. From Affiliated Companies			0		0			0		0
45	Other Long-Term Debt			0		0			0		0
46	Total Long-Term Debt (36 thru 45)	14,428,319	106,977	14,321,342	(1,209,908)	13,111,434	13,328,045	594,453	12,733,592	(1,173,143)	11,560,449
OTHER LIAB. & DEF. CREDITS											
47	Other Long-Term Liabilities	0		0		0	0		0		0
48	Deferred Income Taxes	2,964,745	104,624	2,860,121	(246,844)	2,613,277	1,820,757	31,348	1,789,409	(165,998)	1,623,411
49	Other Deferred Credits	(1,660,535)		(1,660,535)	32,219	(1,628,316)	236,515		236,515	21,150	257,665
50	Other Jurisdictional Differences	0		0		0	0		0		0
51	Total Other Liab & Def Credits (47 thru 50)	1,304,210	104,624	1,199,586	(214,625)	984,961	2,057,272	31,348	2,025,924	(144,848)	1,881,076
EQUITY											
52	Cap. Stock Outstand. & Subscribed	93,150		93,150		93,150	93,150		93,150		93,150
53	Additional Paid-in-Capital	7,175		7,175		7,175	7,175		7,175		7,175
54	Treasury Stock	0		0		0	0		0		0
55	Membership and Cap. Certificates	0		0		0	0		0		0
56	Other Capital	0		0		0	0		0		0
57	Patronage Capital Credits	0		0		0	0		0		0
58	Retained Earnings	6,331,917	926,942	5,404,975	1,518,392	6,923,367	7,387,781	1,404,175	5,983,606	1,414,499	7,398,105
59	Total Equity (52 thru 58)	6,432,242	926,942	5,505,300	1,518,392	7,023,692	7,488,106	1,404,175	6,083,931	1,414,499	7,498,430
60	TOTAL LIABILITIES & EQUITY (35+46+51+59)	24,163,855	1,168,444	22,995,411	0	22,995,411	24,801,716	2,086,141	22,715,575	0	22,715,575

WASHINGTON 534											
INLAND TELEPHONE COMPANY											
INCOME STATEMENT - RECONCILIATION											
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2017											
Line #	Item	Total Year 2016	Total Idaho Year 2016	Total Washington Year 2016	Part 64 Adj. to NonReg	Prior Year Adjusted 2016	Total This Year 2017	Total Idaho This Year 2017	Total Washington This Year 2017	Part 64 Adj. to NonReg	This Year Adjusted 2017
1	Local Network Service Revenues	706,702	97,942	608,760		608,760	718,349	91,624	626,725		626,725
2	Network Access Service Revenues	4,791,978	565,993	4,225,985		4,225,985	4,668,180	861,895	3,806,285		3,806,285
3	Long Distance Network Services Revenues	510	3	507		507	87	(3)	90		90
4	Carrier Billing and Collection Revenues	46,965	4,601	42,364		42,364	38,553	3,948	34,605		34,605
5	Miscellaneous Revenues	42,002	968	41,034		41,034	56,082	910	55,172		55,172
6	Uncollectible Revenues	(2,437)	(466)	(1,971)		(1,971)	(3,325)	(1,092)	(2,233)		(2,233)
7	Net Operating Revenues (1 thru 6)	5,585,720	669,041	4,916,679	0	4,916,679	5,477,926	957,282	4,520,644	0	4,520,644
8	Plant Specific Operations Expense	1,453,646	224,587	1,229,059	(45,804)	1,183,255	1,659,523	289,226	1,370,297	(68,358)	1,301,939
9	Plant Nonspecific Operations (ex Depr. & Amort.)	446,603	54,416	392,187	(17,869)	374,318	515,400	78,455	436,945	(23,932)	413,013
10	Depreciation Expense	1,312,366	123,202	1,189,164	(93,349)	1,095,815	1,531,366	158,660	1,372,706	(146,823)	1,225,883
11	Amortization Expense	182		182		182	182		182		182
12	Customer Operations Expense	561,806	58,273	503,533	(114,812)	388,721	560,447	54,401	506,046	(115,887)	390,159
13	Corporate Operations Expense	943,198	126,443	816,755	(22,063)	794,692	921,830	141,437	780,393	(17,496)	762,897
13a	Less: Corporate Op Adjustment (FCC 36.621)	0	0	0	0	0	0	0	0	0	0
13b	Adjusted Corporate Operations Expense	943,198	126,443	816,755	(22,063)	794,692	921,830	141,437	780,393	(17,496)	762,897
14	Total Operating Expenses (8 thru 12 + 13b)	4,717,801	586,921	4,130,880	(293,897)	3,836,983	5,188,748	722,179	4,466,569	(372,496)	4,094,073
15	Operating Income or Margin (7 less 14)	867,919	82,120	785,799	293,897	1,079,696	289,178	235,103	54,075	372,496	426,571
16	Other Operating Income and Expenses	0	0	0	0	0	0	0	0	0	0
17	State and Local Taxes	159,343	26,917	132,426	(12,751)	119,675	195,199	28,840	166,359	(19,123)	147,236
18	Federal Income Taxes	200,367	23,774	176,593	20,592	197,185	(872,180)	(73,276)	(798,904)	47,444	(751,460)
19	Other Taxes	0	0	0	0	0	0	0	0	0	0
20	Total Operating Taxes (17+18+19)	359,710	50,691	309,019	7,841	316,860	(676,981)	(44,436)	(632,545)	28,321	(604,224)
21	Net Operating Income or Margin (15+16-20)	508,209	31,429	476,780	286,056	762,836	966,159	279,539	686,620	344,175	1,030,795
22	Interest on Funded Debt	288,365	35,017	253,348	(24,090)	229,258	326,008	14,983	311,025	(28,655)	282,370
23	Interest Expense - Capital Leases	0	0	0	0	0	0	0	0	0	0
24	Other Interest Expense	3,580	436	3,144	(265)	2,879	21	3	18		18
25	Allowance for Funds Used During Construction	(109,525)	(13,300)	(96,225)	8,127	(88,098)	(9,259)	(4,943)	(4,316)	398	(3,918)
26	Total Fixed Charges (22 thru 25)	182,420	22,153	160,267	(16,228)	144,039	316,770	10,043	306,727	(28,257)	278,470
27	Nonoperating Net Income(Expense)	9,067	15,411	(6,344)	(6,344)	315,874	(877)	316,751			316,751
28	Extraordinary Items	0	0	0	0	0	0	0	0	0	0
29	Jurisdictional Differences	0	0	0	0	0	0	0	0	0	0
30	Nonregulated Net Income (Loss)	(11,540)	11,526	(23,066)	(302,284)	(325,350)	90,309	(36,313)	126,622	(372,432)	(245,810)
31	Total Net Income or Margin (21+27+28+29+30-26)	323,316	36,213	287,103	0	287,103	1,055,572	232,306	823,266	0	823,266
32	Total Taxes Based on Income	0	0	0	0	0	0	0	0	0	0
33	Retained Earnings or Margins Beginning-of-Year	6,004,561	1,435,545	4,569,016	320,365	4,889,381	6,331,917	926,942	5,404,975	1,518,392	6,923,367
34	Miscellaneous Credits Year-to-Date	4,040	(544,816)	548,856	1,198,027	1,746,883	292	244,927	(244,635)	(103,893)	(348,528)
35	Dividends Declared (Common)	0	0	0	0	0	0	0	0	0	0
36	Dividends Declared (Preferred)	0	0	0	0	0	0	0	0	0	0
37	Other Debits Year-to-Date	0	0	0	0	0	0	0	0	0	0
38	Transfers to Patronage Capital	0	0	0	0	0	0	0	0	0	0
39	Retained Earnings or Margins End-of-Period (31+33+34)-(35+36+37+38)	6,331,917	926,942	5,404,975	1,518,392	6,923,367	7,387,781	1,404,175	5,983,606	1,414,499	7,398,105
40	Patronage Capital Beginning-of-Year	0	0	0	0	0	0	0	0	0	0
41	Transfers of Patronage Capital	0	0	0	0	0	0	0	0	0	0
42	Patronage Capital Credits Retired	0	0	0	0	0	0	0	0	0	0
43	Patronage Capital End-of-Year (40+41-42)	0	0	0	0	0	0	0	0	0	0
44	Annual Debt Service Payments	1,069,871	22,006	1,047,865	(90,362)	957,503	1,459,019	75,979	1,383,040	(127,419)	1,255,621
45	Cash Ratio (14+20-10-11)/7	0.6740					0.5440				
46	Operating Accrual Ratio (14+20+26)/7	0.9417					0.8815				
47	TIER (31+26)/26	2.7724					4.3323				
48	DSCR (31+26+10+11)/44	1.6995					1.9903				

EXHIBIT 4.1

BROADBAND & GROSS CAPITAL EXPENDITURES

INLAND TELEPHONE COMPANY - SAC 522423

**State USF Petition Filing Requirement - WAC 480-123-110(e)
 Prior and Current Year Broadband and Gross Capital Expenditures**

Exhibit 4.1 - Statistics

Company Name: (Below)
 INLAND TELEPHONE COMPANY

Description	Prior Year End of Yr. Balance - 2016	Current Year End of Yr. Balance - 2017	Difference	% Change
Broadband Connections:				
Residential	1,666	1,756	90	5.4%
Business	113	123	10	8.8%
Total	1,779	1,879	100	5.6%
Gross Regulated Capital Expenditures**:	2016	2017	Difference	% Change
Total Annual Amount***	\$11,818,532	\$767,019	(\$11,051,513)	-93.5%

NOTE: IF THE COMPANY DESIRES TO FILE THIS SCHEDULE AS CONFIDENTIAL, PLEASE MARK AS CONFIDENTIAL PER 480-07-160. (The header and footer is no longer marked as confidential as some companies do not file this report as confidential).

**** - NOTE: THIS IS A CHANGE FROM LAST YEAR IN WHICH NONREGULATED CAPITAL EXPENDITURES WERE INCLUDED DUE TO INCONSISTENCIES IN REPORTING, STAFF IS REQUESTING ONLY REGULATED CAPITAL EXPENDITURES. IF THE COMPANY HAS INCURRED LARGE NONREGULATED CAPITAL EXPENDITURES IN THE REPORTING YEAR, IT MAY NOTE BELOW.**

NOTE: Inland does not have a "Business Rate". Broadband Connection information was obtained from the FCC Form 477; excluding customers served on wireless which are outside of the regulated service area.

NOTE: Wireless broadband is considered non-regulated and costs are removed in Part 64.

***** = Excludes any allocations to Idaho operations.**

EXHIBIT 5

AUDITED FINANCIAL STATEMENT
CONFIDENTIAL PER WAC 480-07-160
REDACTED

INLAND TELEPHONE COMPANY - SAC 522423

**WESTERN ELITE INCORPORATED
SERVICES AND SUBSIDIARIES**

Audited Consolidated Financial Statements

December 31, 2017 and 2016

WESTERN ELITE INCORPORATED SERVICES AND SUBSIDIARIES

Audited Consolidated Financial Statements

December 31, 2017 and 2016

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated Statements of Operations 5

Consolidated Statements of Comprehensive Income (Loss) 6

Consolidated Statements of Stockholders' Equity 7

Consolidated Statements of Cash Flows 8-9

Notes to Consolidated Financial Statements 10-27



1501 Regents Blvd., Suite 100
Fircrest, WA 98466-6060

Independent Auditor's Report

Board of Directors
Western Elite Incorporated Services and Subsidiaries
Roslyn, Washington

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Western Elite Incorporated Services and Subsidiaries (a Washington corporation), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Western Elite Incorporated Services and Subsidiaries as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Johnson, Stone & Pagano, P.S.

JOHNSON, STONE & PAGANO, P.S.

July 26, 2018

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

**WESTERN ELITE INCORPORATED SERVICES
AND SUBSIDIARIES**

CONSOLIDATED BALANCE SHEETS

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash		
Accounts receivable - trade, less allowance for doubtful accounts (2017 - [REDACTED]; 2016 - [REDACTED])		
Other accounts receivable		
Materials and supplies - at average cost		
Other current assets		
Income taxes receivable		
Current portion of notes receivable		
Total Current Assets		
INVESTMENTS AND OTHER ASSETS		
Other accounts receivable		
Notes receivable - less current portion classified as a current asset		
Notes and accounts receivable due from stockholders		
Investments		
Rural Telephone Finance Cooperative capital certificates		
Cash surrender value of life insurance, less policy loans		
Land under development		
Deferred income tax assets		
Other assets		
Total Investments and Other Assets		
PROPERTY, PLANT AND EQUIPMENT		
Land		
Depreciable plant and equipment		
Allowance for depreciation (deduction)		
Plant held for future use		
Allowance for depreciation (deduction)		
Plant under construction		
Total Property, Plant and Equipment		
TOTAL ASSETS		

PETITION OF INLAND TELEPHONE COMPANY TO
RECEIVE SUPPORT FROM THE STATE UNIVERSAL
COMMUNICATIONS SERVICES PROGRAM -
EXHIBIT 5, PAGE - 6

The accompanying notes are an integral part of these consolidated financial statements.

REDACTED

**WESTERN ELITE INCORPORATED SERVICES
AND SUBSIDIARIES**

CONSOLIDATED BALANCE SHEETS (Continued)

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Accounts payable - trade		
Taxes, other than income taxes		
Accrued payroll and benefits		
Other current liabilities		
Income taxes payable		
Deferred revenue		
Current portion of long-term debt		
Total Current Liabilities		
LONG-TERM DEBT , net of issuance costs, less portion classified as a current liability		
OTHER LIABILITIES		
Notes payable to stockholders		
Total Liabilities		
STOCKHOLDERS' EQUITY		
Common stock		
Additional paid-in capital		
Retained earnings		
Members' equity		
Accumulated other comprehensive income, net of deferred income taxes		
Total Stockholders' Equity		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		

PETITION OF INLAND TELEPHONE COMPANY TO
RECEIVE SUPPORT FROM THE STATE UNIVERSAL
COMMUNICATIONS SERVICES PROGRAM -
EXHIBIT 5, PAGE - 7

REDACTED

The accompanying notes are an integral part of these consolidated financial statements.

**WESTERN ELITE INCORPORATED SERVICES
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
REVENUES		
Telecommunication service revenues		
Other operating revenues		
 Total Revenues		
EXPENSES		
Operating expenses		
General and administrative		
Depreciation and amortization		
 Total Expenses		
 Operating Income (Loss)		
OTHER INCOME (EXPENSE)		
Equity in income (losses) of LLC		
Interest and dividend income		
Interest expense		
Other income		
 Total Other Expense		
 Income (Loss) before Income Taxes		
INCOME TAXES (BENEFITS)		
Currently payable		
Deferred income tax (benefit)		
 Total Income Tax (Benefit)		
NET INCOME (LOSS)		

PETITION OF INLAND TELEPHONE COMPANY TO
RECEIVE SUPPORT FROM THE STATE UNIVERSAL
COMMUNICATIONS SERVICES PROGRAM -
EXHIBIT 5, PAGE - 8

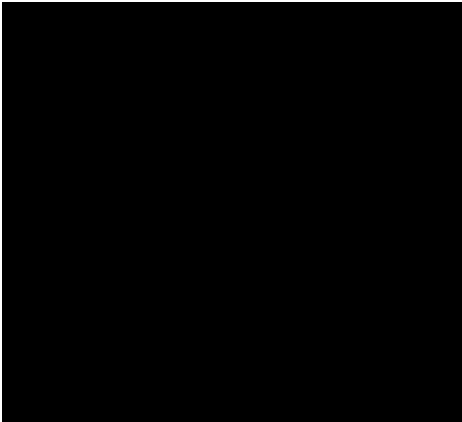


REDACTED

The accompanying notes are an integral part of these consolidated financial statements.

**WESTERN ELITE INCORPORATED SERVICES
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
NET INCOME (LOSS)		
OTHER COMPREHENSIVE INCOME		
Unrealized income on investments, net of deferred income tax (benefit) (2017 -  ; 2016 - 		
COMPREHENSIVE INCOME (LOSS)		

**WESTERN ELITE INCORPORATED SERVICES
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years Ended December 31, 2017 and 2016

	Western Elite Incorporated Services					Crushe, LLC Members' Equity	Accumulated Other Comprehensive Income	Total
	Class A Voting Common Stock	Class B Non-voting Common Stock	Total Common Stock	Additional Paid-in Capital	Retained Earnings			
BALANCE AT DECEMBER 31, 2015	[REDACTED]							
Net loss for the year								
Other comprehensive loss								
BALANCE AT DECEMBER 31, 2016	[REDACTED]							
Net income (loss) for the year								
Other comprehensive income								
BALANCE AT DECEMBER 31, 2017	[REDACTED]							

PETITION OF INLAND TELEPHONE COMPANY TO
RECEIVE SUPPORT FROM THE STATE UNIVERSAL
COMMUNICATIONS SERVICES PROGRAM –
EXHIBIT 5, PAGE - 10

REDACTED

The accompanying notes are an integral part of these consolidated financial statements.

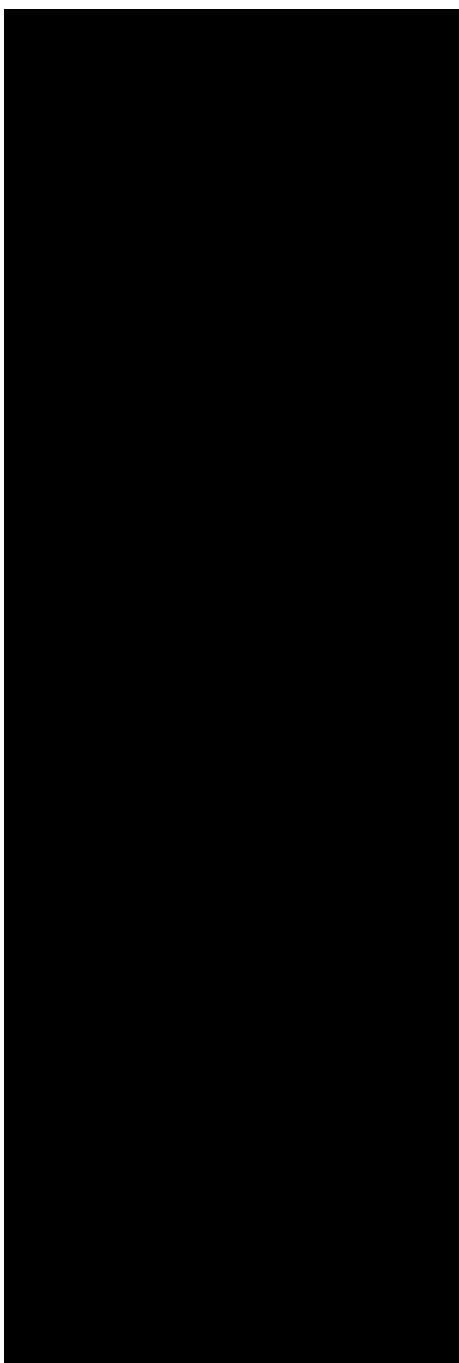
**WESTERN ELITE INCORPORATED SERVICES
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)		
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Equity in income (losses) of LLC		
Increase in cash surrender value of life insurance policies		
Gain on surrender of life insurance policies		
Depreciation and amortization		
Deferred income taxes (benefits)		
Noncash reduction in rent and taxes from building sale		
Gain on disposal of building		
Accrued interest on notes and accounts receivable due from stockholders		
Noncash interest expense		
Noncash interest income		
Noncash stock dividend		
Net change in operating assets and liabilities		
Net Cash Provided by Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments (issuance) from notes receivable		
(Increase) decrease in notes and accounts receivable due from stockholders		
Additions to property, plant and equipment		
Cash received from sale of building		
Additions to nonregulated plant in service and miscellaneous physical property		
Advances from (to) former affiliates		
(Increase) decrease in land under development		
Proceeds from surrender of life insurance policies		
Net Cash Provided (Used) by Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in notes payable to stockholders		
Additional long-term borrowings		
Payments on long-term debt		
Net Cash Provided (Used) by Financing Activities		
NET INCREASE IN CASH		
Cash at Beginning of Year		
CASH AT END OF YEAR		

PETITION OF INLAND TELEPHONE COMPANY TO RECEIVE SUPPORT FROM THE STATE UNIVERSAL COMMUNICATIONS SERVICES PROGRAM - EXHIBIT 5, PAGE - 11



REDACTED

The accompanying notes are an integral part of these consolidated financial statements.

**WESTERN ELITE INCORPORATED SERVICES
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

Years Ended December 31, 2017 and 2016

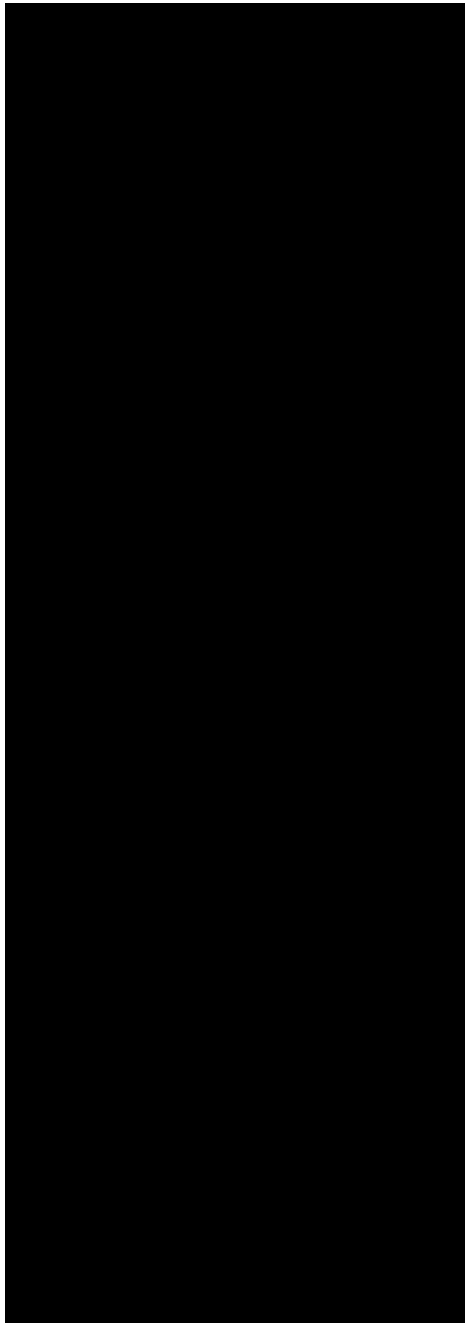
	<u>2017</u>	<u>2016</u>
COMPONENTS OF NET CHANGE IN OPERATING ASSETS AND LIABILITIES		
(Increase) decrease in assets		
Accounts receivable - trade		
Other accounts receivable		
Materials and supplies - at average cost		
Other current assets		
Income taxes receivable		
Increase (decrease) in liabilities		
Accounts payable - trade		
Taxes, other than income taxes		
Accrued payroll and benefits		
Other current liabilities		
Income taxes payable		
Deferred revenue		
Net Change in Operating Assets and Liabilities		

**SUPPLEMENTAL DISCLOSURES OF CASH
FLOW INFORMATION**

Cash paid during the year for
 Interest, net of allowance for funds used during
 construction (2017 - [REDACTED] 2016 - [REDACTED])
Income taxes paid

**SUPPLEMENTAL DISCLOSURES OF NONCASH
OPERATING, INVESTING AND FINANCING
ACTIVITIES**

Extension and replacement of property, plant and
 equipment included in accounts payable
Noncash transfer of deferred income taxes
 (benefits) to parent
Noncash transfer of former stockholder shares
 to current stockholders
Noncash transfer of nonregulated plant in service and
 miscellaneous physical property from
 telecommunications plant in service



PETITION OF INLAND TELEPHONE COMPANY TO
RECEIVE SUPPORT FROM THE STATE UNIVERSAL
COMMUNICATIONS SERVICES PROGRAM -
EXHIBIT 5, PAGE - 12

REDACTED

The accompanying notes are an integral part of these consolidated financial statements.

**WESTERN ELITE INCORPORATED SERVICES
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES**

Principles of Consolidation and Operations

The consolidated financial statements include the accounts of Western Elite Incorporated Services (the "Company") and its wholly-owned subsidiaries ("Subsidiaries"): Inland Telephone Company, R&R Cable Company, Inland Long Distance Company, Central Cascades Land Company, Inc., Easton Ridge Land Company, Inc., Moses Lake Views Land Company, Inc., Newport Hills Land Company, Inc., R&R Heights Land Company, Inc. and Crushe, LLC an affiliated company through common ownership which is included in consolidation. All material intercompany accounts and transactions have been eliminated in consolidation.

Inland Telephone Company is a local exchange telecommunications company providing local exchange, network access, broadband access services and other telecommunications services to customers in Columbia, Kittitas, Mason, Whitman and Walla Walla counties in Washington, and Latah and Nez Perce Counties in Idaho.

Inland Telephone Company is a small rate-of-return carrier. The Federal Communications Commission ("FCC") Report and Order and Further Notice of Proposed Rulemaking ("FCC 11-161") and Report and Order, Order and Order on Reconsideration and Further Notice of Proposed Rulemaking ("FCC 16-33"), have reformed the universal service and intercarrier compensation systems. These reforms have modified the manner in which Inland Telephone Company recovers its telecommunication revenue requirements.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

WESTERN ELITE INCORPORATED SERVICES
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Continued)**

Regulation

Inland Telephone Company and Inland Long Distance Company are subject to the accounting rules and rate regulation policies of the Washington Utilities and Transportation Commission ("WUTC") and the Idaho Public Utilities Commission ("IPUC") and adhere to the FCC Uniform System of Accounts for Class B telephone companies as prescribed by the FCC under Part 32.

Cash

For purposes of the statement of cash flows, the Company considers cash to be cash on hand and in checking and money market accounts.

Accounts Receivable

The Company and its Subsidiaries extend credit to their business and residential customers based upon a written credit policy. Service interruption is the primary vehicle for controlling accounts receivable losses. Telecommunications accounts receivable are recorded when subscriber bills, carrier access bills and exchange carrier associations settlement statements are billed and are presented in the balance sheet net of the allowance for doubtful accounts. Certain exchange carrier associations' settlements are subject to out-of-period adjustments and are recorded during the year in which they become determinable. The allowance for doubtful accounts is estimated based on the Company and Subsidiaries historical losses, the existing economic conditions in the industry and the financial stability of its customers. At December 31, 2017, approximately █% of accounts receivable are ninety days or more overdue from the date invoices were first issued.

Materials and Supplies

Materials and supplies consist of telephone installation equipment that is purchased by the Subsidiaries and also includes materials used for road construction. All materials and supplies are reported at the lower of cost (first-in, first-out method) or market.



Investments

Investments in marketable securities are carried at fair value; investments in cooperative capital certificates and other investments are carried at cost as fair value and is not readily determinable (see Note 6).

WESTERN ELITE INCORPORATED SERVICES
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Continued)**

Fair Value Measurements

The Company measures fair value of assets and liabilities and related disclosures based on defined inputs. The hierarchy prioritizes the inputs underlying fair value measurements and requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs essentially distinguish the relative reliability of inputs to fair value measurements. Level 1 inputs are more reliable and objective than Level 2 inputs, which are in turn more reliable and objective than Level 3 inputs. In arriving at a fair value measure, the Company and Subsidiaries are required to determine the level in the fair value hierarchy within which a fair value measurement ultimately falls and provide disclosure of such determinations.

Property, Plant and Equipment

Property, plant and equipment are stated at cost and are depreciated on a straight-line basis for accounting purposes. Lives used for calculating depreciation on telecommunications plant are in accordance with the rules of the WUTC and IPUC and are based on the estimated economic useful lives of all assets. Likewise, lives used for calculating depreciation on all other property and equipment are based on the estimated economic useful lives of the assets.

Telecommunications Plant Retirements

When a telecommunications plant asset is retired or otherwise disposed of, the cost of the asset is removed from the asset account and charged to the related allowance for depreciation. Similarly, the cost of removal and salvage proceeds are charged or credited to the allowances for depreciation. Consequently, no gain or loss upon disposition is recognized.

Allowance for Funds Used During Construction

Interest applicable to funds used for long-term construction projects are capitalized as a part of the cost of the asset and depreciated over the asset's estimated useful life. Interest capitalized totaled [REDACTED] and [REDACTED] in 2017 and 2016, respectively.

Accounting for Long-lived Assets

The Company reviews the recorded value of its long-lived assets such as property, plant and equipment for potential impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. At December 31, 2017 and 2016, management has determined that there were no material impairment charges to be recorded as of those dates.

WESTERN ELITE INCORPORATED SERVICES
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Continued)**

Common Stock

Common stock of the Company consists of two classes. Class A voting common stock has no par value, with [REDACTED] shares authorized and [REDACTED] shares issued and outstanding at December 31, 2017 and 2016, with a stated value of \$1 per share. Class B non-voting common stock has no par value, with [REDACTED] shares authorized and [REDACTED] shares issued and outstanding at December 31, 2017 and 2016, with a stated value of [REDACTED] per share.

Advertising Costs

Costs incurred for advertising are expensed as incurred. Advertising expense was [REDACTED] and [REDACTED] for December 31, 2017 and 2016, respectively.

Revenue Recognition, Major Customers and Services

Services provided by the Company include primarily local network, network access services, digital subscriber lines and broadband services. In the normal course of the Company's business, certain network access service revenues are subject to out-of-period adjustments. Such adjustments are normal occurrences and are recorded by the Company during the year in which they become determinable.

Network access service revenues, which represent a major portion of the Company's operating revenues, are derived from the provision of exchange access services to interexchange carriers or to an end user of telecommunication services.

Revenues for certain interstate access services are currently received through tariffed access charges filed by the National Exchange Carrier Association ("NECA") with the FCC on behalf of the NECA member companies. These access charges are currently billed by the Company to interstate interexchange carriers and pooled with like-revenues from all NECA member companies. The pooled access charge revenues received by the Company are currently based upon the actual cost of providing interstate access services, plus a return on the investment dedicated to providing these services. Pooled access charge revenues are estimated at December 31 each year and are subject to adjustment. Such adjustments are normal occurrences and are recorded by the Company during the year in which they occur.

The FCC 11-161 modified and replaced the existing universal system and intercarrier compensation systems with universal service reform and intercarrier compensation reform. A Connect America Fund ("CAF") has been established to replace all existing high-cost support mechanisms and set broadband service requirements. Alongside the broadband service rules, reforms to establish a framework to limit reimbursements for excessive capital and operating expenses were implemented as of July 1, 2012 and phase-outs of certain support payments occurred. Intercarrier compensation reform adopts a uniform bill-and-keep framework as the

**WESTERN ELITE INCORPORATED SERVICES
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Continued)**

Revenue Recognition, Major Customers and Services (Continued)

ultimate end state for all telecommunications traffic exchanged with the Company. Inter-carrier compensation rates are capped and the disparity between intrastate and interstate terminating end office rates are being brought to parity in two steps as outlined in FCC 11-161. The state's public utilities commissions will be overseeing the modifications to rates in intrastate tariffs. Limits on carriers' total eligible recovery will reflect existing downward trends on inter-carrier compensation revenues with declining switching costs and minutes of use.

In July 2015, the FCC froze the National Average Cost per Loop ("NACPL") that serves as the threshold for support calculations of the High Cost Loop Support ("HCLS") revenues in order to satisfy the annual funding cap established in 2015. The actual NACPL compared to the frozen NACPL is just one factor that impacts the Company's HCLS revenues negatively. In 2016, due to continued efforts to meet the overall HCLS funding cap, a pro rata adjustment factor was established. This pro rata adjustment factor is multiplied by the Company's initial HCLS funding amount, causing a significant reduction in revenues of approximately \$44,000 and \$35,800 for 2017 and 2016, respectively.

In September 2016, the FCC implemented a budget control mechanism for rate-of-return telecommunication carriers designed to ensure that federal support disbursements remain within the specified budget of \$2 billion. This budget control mechanism further reduces HCLS and Connect American Fund Broadband Loop Support ("CAF BLS") funding for the Company by approximately \$119,000 in 2017 and \$18,000 in 2016. Included in the budget control mechanism was a new operating expense limitation calculation and a capital expenditure allowance calculation, none of which impacted the Company.

As part of FCC 16-33 Universal Service Reform ("USF") order, rate-of-return telecommunication carriers have been given an option of remaining on a legacy support mechanism that includes broadband data only service funding or electing a model based support funding mechanism with an emphasis on broadband obligation deployment to begin implementation February 1, 2017. The Company has elected the model based support mechanism called Alternative Connect America Model ("A-CAM") for the Company's Idaho exchange. The Company will remain with the legacy support option for the Company's Washington exchanges.

The established rate of return of 11.25% used for interstate pooled settlements and other interstate revenue requirements are to be transitioned over six years to 9.75% by July 2021 by a rate of return reduction of .25% each July per FCC order. As of July 2017 and 2016, the rate of return was reduced to 10.75% and 11%, respectively.

**WESTERN ELITE INCORPORATED SERVICES
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Continued)**

Revenue Recognition, Major Customers and Services (Continued)

The Company continues to review the reforms and modifications to the support that the Company receives, and understands that those reforms and modifications could have an adverse effect on the Company's revenues and cash flow. Revenue impacts are subject to change based upon future data collections and further clarification from the FCC.

Revenues for intrastate access services are received through tariffed access charges filed by the Company at the WUTC. Once filed, the tariffed access charges become effective if specifically approved by the WUTC or allowed to become effective by operation of law. The intrastate switched access charges are billed by the Company to intrastate interexchange carriers. Intrastate special access charges are also billed to intrastate interexchange carriers that order such services and, in some cases, to retail customers that order special access services.

The WUTC implemented a state universal communications service program ("State USF Program") that temporarily replaced the terminated universal service support pool ("Traditional USF") and also replaced the cumulative reduction in support the Company received from the federal CAF. The State USF Program began January 2015, and annual disbursements from the State USF Program comprised of the Traditional USF and the disbursement of the cumulative CAF deficit support are scheduled to occur in January of the following State USF Program years, assuming the Company continues to be eligible under the program. The State USF Program year runs from July 1 to June 30. In 2017, the Company received \$403,942 from the State USF Program for the period July 1, 2017 to June 30, 2018, and recorded deferred revenue of \$201,971 for the unearned portion. In 2016, the Company received \$356,613 from the State USF Program for the period July 1, 2016 to June 30, 2017, and recorded deferred revenue of \$178,307 for the unearned portion. The State USF Program is scheduled to last for five program years.

Revenues for Idaho State intrastate access services are received through tariffed access charges filed by the Company and approved by the IPUC. The access charges are billed by the Company to intrastate interexchange carriers and are considered bill-and-keep based on tariffed rates.

For some of the services that the Company provides to its customers, the Company relies upon services and facilities supplied to it by other companies. Any material disruption of the services or facilities supplied to the Company by other companies could potentially have an adverse effect upon the Company's operating results.

PETITION OF INLAND TELEPHONE COMPANY TO
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**WESTERN ELITE INCORPORATED SERVICES
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Continued)**

Income Taxes

The Company provides federal and state income taxes for the effects of transactions reported in the financial statements and consists of taxes currently due and deferred income taxes. The Company and its Subsidiaries file federal and state income taxes on a consolidated basis. The consolidated tax liability of the affiliated group is allocated based on each company's contributions to consolidated taxable income.

The Company utilizes the liability method of accounting for income taxes. Under the liability method, deferred taxes are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the basis differences reverse. A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets will not be realized.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates and assumptions used in preparing the accompanying consolidated financial statements.

Reclassifications

Certain expenses in the prior year consolidated financial statements have been reclassified for comparative purposes to conform to the present year consolidated financial statements.

Subsequent Events

The management of the Company evaluated subsequent events and transactions for potential recognition and disclosure through July 26, 2018, the date the statements were issued. All identified material events or transactions have been recorded or disclosed.

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**WESTERN ELITE INCORPORATED SERVICES
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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WESTERN ELITE INCORPORATED SERVICES AND SUBSIDIARIES

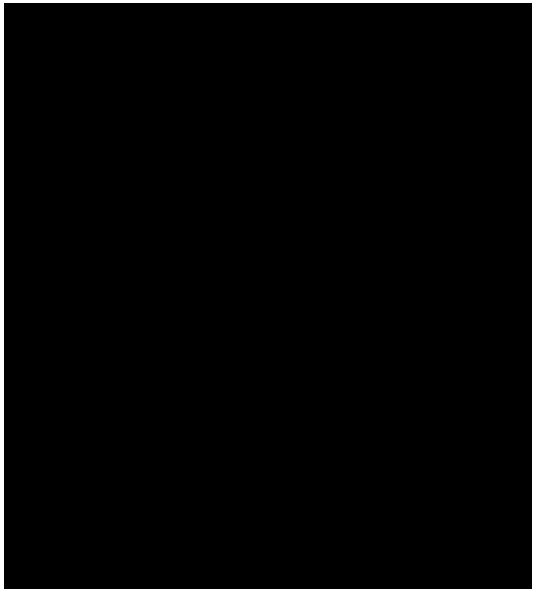
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 4 - NOTES RECEIVABLE

Notes receivable consists of the following:

	Current Annual Installments of Principal	<u>Principal Amount</u>	
		<u>2017</u>	<u>2016</u>
Western Elite Incorporated Services Fixed rate note receivable in annual principal and interest payments. ██████ - due September 2021			
Western Elite Incorporated Services Fixed rate note receivable in annual principal and interest payments. ██████ - due November 2021			
Less principal installments on notes receivable due within one year			
Accrued interest			

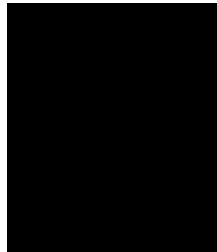


Notes receivable from the sales of developed lots, are reported at the outstanding principal balance, and are secured by the lots sold. Notes receivable are written off when all collection efforts have been used and the foreclosure process has been completed. Interest income is recognized when earned unless the likelihood of loss is greater than remote.

At December 31, 2017, maturities of notes receivable for the next five years and thereafter are as follows:

2018
2019
2020
2021

Total



PETITION OF INLAND TELEPHONE COMPANY TO RECEIVE SUPPORT FROM THE STATE UNIVERSAL COMMUNICATIONS SERVICES PROGRAM - EXHIBIT 5, PAGE - 21

REDACTED

**WESTERN ELITE INCORPORATED SERVICES
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 5 - NOTES AND ACCOUNTS RECEIVABLE DUE FROM STOCKHOLDERS

Notes and accounts receivable due from stockholders consist of the following:

	2017	2016
R&R Cable Company Accounts receivable	[REDACTED]	
Newport Hills Land Company, Inc. Accounts receivable		
note receivable due January 2018		
note receivable due January 2018		
note receivable due January 2017		

NOTE 6 - INVESTMENTS

Following is the hierarchy and fair value measurements at December 31, 2017 and 2016:

	Fair Value Measurements		
Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Other Subjective Inputs (Level 3)
<u>December 31, 2017</u>	[REDACTED]		
[REDACTED]			
<u>December 31, 2016</u>	[REDACTED]		
[REDACTED]			

WESTERN ELITE INCORPORATED SERVICES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 6 - INVESTMENTS (Continued)

Investments valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Investments valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Level 3 inputs are based on the Company's own assumptions on how knowledgeable parties would price assets or liabilities, and are developed using the best information available in the circumstances.

Reconciliation of Level 3 Inputs

Balance at December 31, 2016

[REDACTED]

Balance at December 31, 2017

[REDACTED]

NOTE 7 - DEPRECIABLE PLANT AND EQUIPMENT

The following is a summary of asset classifications and estimated useful lives for the depreciable assets:

	Useful Lives (Years)	2017	2016
Western Elite Incorporated Services			
Buildings			
Equipment and land improvements			
Inland Telephone Company			
Buildings			
Central office equipment			
Outside telephone plant			
Vehicles and other work equipment			
Furniture and fixtures			
Miscellaneous property and deregulated equipment			
R&R Cable Company			
Buildings			
Cable TV plant			
Vehicles and other work equipment			
Furniture and fixtures			
Equipment			

[REDACTED]

WESTERN ELITE INCORPORATED SERVICES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 7 - DEPRECIABLE PLANT AND EQUIPMENT (Continued)

	Useful Lives (Years)	2017	2016
Inland Long Distance Company, Inc. Software			
Central Cascades Land Company, Inc. Tools and other equipment			
Easton Ridge Land Company, Inc. Vehicles and other work equipment			
Moses Lake Views Land Company, Inc. Buildings Tools and other equipment			
Newport Hills Land Company, Inc. Water equipment			
R&R Heights Land Company, Inc. Water equipment Tools and other work equipment			

NOTE 8 - LONG-TERM DEBT

Long-term debt consists of the following:

	Principal Amount	
	2017	2016
Western Elite Incorporated Services Real estate contract payable to an individual Fixed rate note of [REDACTED]; payable in monthly installments; due June 2036, secured by certain real property.		
[REDACTED] note of [REDACTED]; payable in monthly installments, due September 2017, net of debt issuance costs.		

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REDACTED

WESTERN ELITE INCORPORATED SERVICES
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 8 - LONG-TERM DEBT (Continued)

Principal Amount	
2017	2016

Inland Telephone Company

Rural Utilities Service ("RUS") - first and supplemental mortgage notes, payable in monthly and quarterly installments.

- █ - due May 2018
- █ - due January 2021

Rural Telephone Bank ("RTB") - supplemental mortgage notes, payable in quarterly installments.

- █ - due January 2018

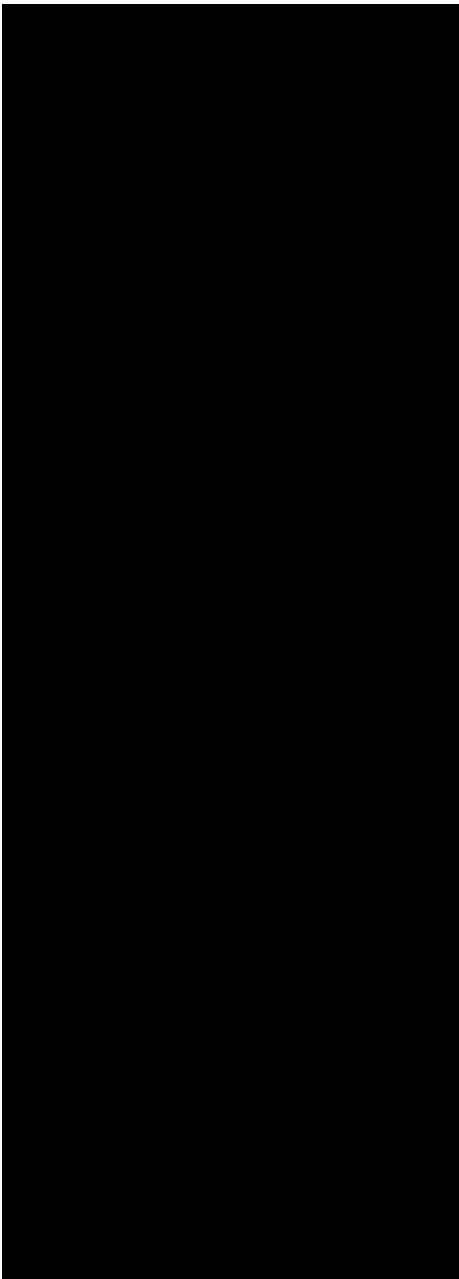
Federal Financing Bank ("FFB") - supplemental mortgage note

- █ - due December 2029
- █ - due December 2029
- █ - due December 2029
- █ - due December 2029
- █ - due December 2029
- █ - due December 2029
- █ - due December 2029
- █ - due December 2029
- █ - due December 2029
- █ - due December 2029
- █ - due December 2029
- █ - due December 2029
- █ - due December 2029
- █ - due December 2029

Total Long-term Debt

Advanced payments unapplied - net

Less principal installments on long-term debt due within one year



PETITION OF INLAND TELEPHONE COMPANY TO RECEIVE SUPPORT FROM THE STATE UNIVERSAL COMMUNICATIONS SERVICES PROGRAM - EXHIBIT 5, PAGE - 25

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WESTERN ELITE INCORPORATED SERVICES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 8 - LONG-TERM DEBT (Continued)

At December 31, 2017, maturities on long-term debt for the next five years and thereafter are as follows:

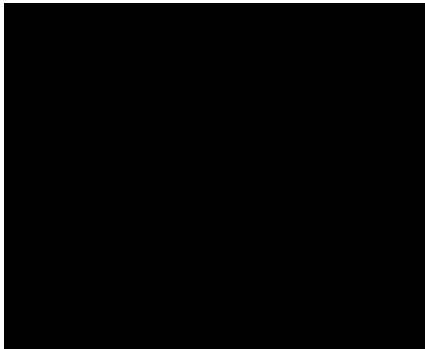


2018	
2019	
2020	
2021	
2022	
Thereafter	

Substantially all of Inland Telephone Company's telephone plant now owned and hereafter acquired is subject to first and supplemental mortgage agreements executed to the Rural Utilities Services, the Rural Telephone Bank and the Federal Financing Bank ("FFB"). The terms of the mortgage agreements restrict distributions to stockholders, redemptions of capital stock and investments in affiliated companies.

Allowable distributions from Inland Telephone Company are based on distribution requirements defined in the agreements. Inland Telephone Company must also maintain certain interest coverage under the mortgage agreements.

Pursuant to the FFB Loan Agreement dated October 7, 2011, Section 5.12, TIER Requirement, Inland Telephone Company "will endeavor, but not be required, to maintain a TIER of at least 1.5." At December 31, 2017, management believes they meet the TIER requirement.

NOTE 9 - NOTES PAYABLE TO STOCKHOLDERS

	<u>Principal Amount</u>	
	<u>2017</u>	<u>2016</u>
Western Elite Incorporated Services		
Notes payable to certain stockholders due on demand with a variable monthly interest rate at December 31, 2017 was 		
Notes payable to stockholders due on demand with a variable monthly interest rate; current rate at December 31, 2017 was 		

WESTERN ELITE INCORPORATED SERVICES
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 9 - NOTES PAYABLE TO STOCKHOLDERS (Continued)

	<u>Principal Amount</u>	
	<u>2017</u>	<u>2016</u>
R&R Cable Company Note payable to a stockholder due on demand with monthly interest-only payments at a rate of [REDACTED]	[REDACTED]	
Crushe, LLC Notes payable to stockholders due on demand with a variable monthly interest rate at December 31, 2016 was [REDACTED]		
[REDACTED]		

NOTE 10 - INCOME TAXES

The Company recognizes deferred income taxes for differences between the basis of assets and liabilities for financial statement and income tax purposes. The deferred tax assets and liabilities represent future income tax return consequences of those differences which will either be taxable or deductible when the assets and liabilities are recovered or settled. The differences relate to the following:

- Depreciable assets' lives and methods of calculating depreciation for financial and income tax reporting.
- Accounting for certain investments and marketable securities at fair value for financial reporting purposes and cost for income tax purposes.
- Accounting for land sales on the installment method for income tax purposes.
- Carryforward of a net operating loss for income tax reporting.

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WESTERN ELITE INCORPORATED SERVICES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 10 - INCOME TAXES (Continued)

The tax effects of temporary differences that give rise to significant portions of deferred tax (assets) liabilities consist of the following:

	<u>2017</u>	<u>2016</u>
Plant and equipment		
Land sales on installment contracts		
Net operating loss carryforward		
Investments		

The Company has a net operating loss carryforward of [REDACTED] of which [REDACTED] is from 2017, [REDACTED] is from 2016, [REDACTED] is from 2015, [REDACTED] is from 2014, [REDACTED] is from 2013, [REDACTED] is from 2012 and [REDACTED] is from 2011, which will expire on December 31, 2037, 2036, 2035, 2034, 2033, 2032 and 2031 respectively.

Components of the provisions for (benefits of) income taxes are as follows:

	<u>2017</u>	<u>2016</u>
Current		
Deferred		

NOTE 11 - LEASES

Future lease commitments are not material; total rental and lease expense for the years ended December 31, 2017 and 2016 are less than 1% of total revenues.

NOTE 12 - EMPLOYEE BENEFIT PLANS

The Company and its Subsidiaries participate in a 401(k) profit sharing plan and a discretionary integrated pension plan for the benefit of all full-time eligible employees. The 401(k) plan provides for employee elective deferrals up to a maximum allowed by law. The Company and its Subsidiaries have a matching contribution rate that is equal to 100% of each eligible employee's elective deferrals up to and including, but not exceeding [REDACTED] of said

WESTERN ELITE INCORPORATED SERVICES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 12 - EMPLOYEE BENEFIT PLANS (Continued)

eligible employee's eligible compensation (as defined in the 401(k) plan document). In compliance with the integration formula which coordinates the pension plan with Social Security, the Company and its Subsidiaries can elect to contribute [redacted] of eligible employees' first [redacted] for 2017 and 2016 of regular compensation and [redacted] of their regular compensation in excess of [redacted] in 2017 and 2016 to the plan, but not to exceed [redacted] per employee in 2017 and 2016. The Company and its Subsidiaries did not make a discretionary integrated pension or profit sharing contribution in 2017 or 2016. The Company and its Subsidiaries' contributions charged to operations in connection with the 401(k) profit sharing plan and the integrated pension plan were [redacted] and [redacted] in 2017 and 2016, respectively.

NOTE 13 - RELATED PARTY TRANSACTIONS

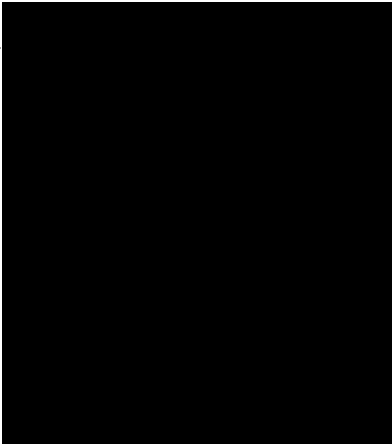
The Company conducts certain business transactions with Inland Cellular Telephone Company ("Inland Cellular"), which was an affiliated company through common ownership. Inland Cellular Telephone Company is the sole owner of Inland Cellular, LLC.

Due to changes in ownership of Western Elite Incorporated Services, Inland Cellular Telephone Company and its affiliate, Inland Cellular, LLC, are no longer affiliated companies at December 31, 2016.

R&R Cable Company accounts receivable due from stockholders were transferred to Western Elite Incorporated Services in 2015.

During the year ended December 31, the Company and its Subsidiaries had the following related party transactions:

	<u>2017</u>	<u>2016</u>
Inland Telephone Company		
Internet support services charged to R&R Cable Company		
Special access services provided to Inland Cellular, LLC		
Western Elite Incorporated Services		
Interest paid/owed to stockholders		
R&R Cable Company		
Interest charged to Company stockholders		
Interest paid/owed to Company stockholders		
Crushe, LLC		
Interest paid/owed to Company stockholders		



PETITION OF INLAND TELEPHONE COMPANY TO RECEIVE SUPPORT FROM THE STATE UNIVERSAL COMMUNICATIONS SERVICES PROGRAM - EXHIBIT 5, PAGE - 29

REDACTED

**WESTERN ELITE INCORPORATED SERVICES
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 14 - COMMITMENTS AND CONTINGENCIES

As noted in Note 1, the FCC established a pro rata expense adjustment factor that is calculated against the actual HCLS distribution to all of the independent telephone companies that receive HCLS funding in order to meet the overall HCLS funding cap. The 2018 estimated pro rata expense adjustment factor is currently approximately [REDACTED] and this will cause a reduction of approximately [REDACTED] to the Company's 2017 HCLS revenues for Washington only. As stated in Note 1, the Company has elected A-CAM support for Idaho.

In addition, the budget control mechanism as discussed in Note 1 has been calculated for the first half of 2018 and the Company's federal funding will be further reduced by approximately [REDACTED].

EXHIBIT 6

2017 RUS OPERATING REPORT

INLAND TELEPHONE COMPANY - SAC 522423

USDA-RUS

This data will be used by RUS to review your financial situation. Your response is required by 7 U.S.C. 901 et seq. and, subject to federal laws and regulations regarding confidential information, will be treated as confidential.

**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

BORROWER NAME

Inland Telephone Company

(Prepared with Audited Data)

INSTRUCTIONS-Submit report to RUS within 30 days after close of the period.
For detailed instructions, see RUS Bulletin 1744-2. Report in whole dollars only.

PERIOD ENDING

December, 2017

BORROWER DESIGNATION

WA0534

CERTIFICATION

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY 7 CFR PART 1788, CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.

DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1788 OF 7CFR CHAPTER XVII

(Check one of the following)

All of the obligations under the RUS loan documents have been fulfilled in all material respects.

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in the Telecom Operating Report

Gregory Maras

3/23/2018

DATE

PART A. BALANCE SHEET

ASSETS	BALANCE		LIABILITIES AND STOCKHOLDERS' EQUITY	BALANCE	
	PRIOR YEAR	END OF PERIOD		PRIOR YEAR	END OF PERIOD
CURRENT ASSETS			CURRENT LIABILITIES		
1. Cash and Equivalents	391,052	311,540	25. Accounts Payable	260,605	195,519
2. Cash-RUS Construction Fund	707,373	1,068,000	26. Notes Payable	0	0
3. Affiliates:			27. Advance Billings and Payments	0	0
a. Telecom, Accounts Receivable	0	0	28. Customer Deposits	2,640	2,706
b. Other Accounts Receivable	0	0	29. Current Mat. L/T Debt	1,132,800	1,100,063
c. Notes Receivable	0	0	30. Current Mat. L/T Debt-Rur. Dev.	0	0
4. Non-Affiliates:			31. Current Mat.-Capital Leases	0	0
a. Telecom, Accounts Receivable	376,357	729,180	32. Income Taxes Accrued	20	0
b. Other Accounts Receivable	0	0	33. Other Taxes Accrued	83,701	68,435
c. Notes Receivable	0	0	34. Other Current Liabilities	519,318	561,570
5. Interest and Dividends Receivable	0	0	35. Total Current Liabilities (25 thru 34)	1,999,084	1,928,293
6. Material-Regulated	270,709	271,274	LONG-TERM DEBT		
7. Material-Nonregulated	0	0	36. Funded Debt-RUS Notes	51,428	22,713
8. Prepayments	88,993	145,154	37. Funded Debt-RTB Notes	51	0
9. Other Current Assets	0	0	38. Funded Debt-FFB Notes	14,380,555	13,309,236
10. Total Current Assets (1 Thru 9)	1,834,484	2,525,148	39. Funded Debt-Other	(3,715)	(3,904)
NONCURRENT ASSETS			40. Funded Debt-Rural Develop. Loan	0	0
11. Investment in Affiliated Companies			41. Premium (Discount) on L/T Debt	0	0
a. Rural Development	808,606	1,989,282	42. Reacquired Debt	0	0
b. Nonrural Development	0	0	43. Obligations Under Capital Lease	0	0
12. Other Investments			44. Adv. From Affiliated Companies	0	0
a. Rural Development	0	0	45. Other Long-Term Debt	0	0
b. Nonrural Development	236,241	248,764	46. Total Long-Term Debt (36 thru 45)	14,428,319	13,328,045
13. Nonregulated Investments	2,071,788	1,179,166	OTHER LIAB. & DEF. CREDITS		
14. Other Noncurrent Assets	250	250	47. Other Long-Term Liabilities	0	0
15. Deferred Charges	0	0	48. Other Deferred Credits	1,304,210	2,057,272
16. Jurisdictional Differences	0	0	49. Other Jurisdictional Differences	0	0
17. Total Noncurrent Assets (11 thru 16)	3,116,885	3,417,462	50. Total Other Liabilities and Deferred Credits (47 thru 49)	1,304,210	2,057,272
PLANT, PROPERTY, AND EQUIPMENT			EQUITY		
18. Telecom, Plant-in-Service	37,510,983	35,417,418	51. Cap. Stock Outstand. & Subscribed	93,150	93,150
19. Property Held for Future Use	312,104	10,213	52. Additional Paid-in-Capital	7,175	7,175
20. Plant Under Construction	380,098	653,102	53. Treasury Stock	0	0
21. Plant Adj., Nonop. Plant & Goodwill	0	0	54. Membership and Cap. Certificates	0	0
22. Less Accumulated Depreciation	18,990,699	17,221,627	55. Other Capital	0	0
23. Net Plant (18 thru 21 less 22)	19,212,486	18,859,106	56. Patronage Capital Credits	0	0
24. TOTAL ASSETS (10+17+23)			57. Retained Earnings or Margins	6,331,917	7,387,781
	24,163,855	24,801,716	58. Total Equity (51 thru 57)	6,432,242	7,488,106
			59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)	24,163,855	24,801,716

Total Equity = 30.19% % of Total Assets

**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

WA0534

PERIOD ENDING

December, 2017

INSTRUCTIONS- See RUS Bulletin 1744-2

PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS

ITEM	PRIOR YEAR	THIS YEAR
1. Local Network Services Revenues	706,702	718,349
2. Network Access Services Revenues	4,791,978	4,668,180
3. Long Distance Network Services Revenues	510	87
4. Carrier Billing and Collection Revenues	46,965	38,553
5. Miscellaneous Revenues	42,002	56,082
6. Uncollectible Revenues	2,437	3,325
7. Net Operating Revenues (1 thru 5 less 6)	5,585,720	5,477,926
8. Plant Specific Operations Expense	1,453,646	1,659,523
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)	446,603	515,400
10. Depreciation Expense	1,312,366	1,531,366
11. Amortization Expense	182	182
12. Customer Operations Expense	561,806	560,447
13. Corporate Operations Expense	943,198	921,830
14. Total Operating Expenses (8 thru 13)	4,717,801	5,188,748
15. Operating Income or Margins (7 less 14)	867,919	289,178
16. Other Operating Income and Expenses	0	0
17. State and Local Taxes	159,343	195,199
18. Federal Income Taxes	200,367	(872,180)
19. Other Taxes	0	0
20. Total Operating Taxes (17+18+19)	359,710	(676,981)
21. Net Operating Income or Margins (15+16-20)	508,209	966,159
22. Interest on Funded Debt	288,365	326,008
23. Interest Expense - Capital Leases	0	0
24. Other Interest Expense	3,580	21
25. Allowance for Funds Used During Construction	109,525	9,259
26. Total Fixed Charges (22+23+24-25)	182,420	316,770
27. Nonoperating Net Income	9,067	315,874
28. Extraordinary Items	0	0
29. Jurisdictional Differences	0	0
30. Nonregulated Net Income	(11,540)	90,309
31. Total Net Income or Margins (21+27+28+29+30-26)	323,316	1,055,572
32. Total Taxes Based on Income		
33. Retained Earnings or Margins Beginning-of-Year	6,004,561	6,331,917
34. Miscellaneous Credits Year-to-Date	4,040	292
35. Dividends Declared (Common)	0	0
36. Dividends Declared (Preferred)	0	0
37. Other Debits Year-to-Date	0	0
38. Transfers to Patronage Capital		0
39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)]	6,331,917	7,387,781
40. Patronage Capital Beginning-of-Year	0	
41. Transfers to Patronage Capital		0
42. Patronage Capital Credits Retired	0	
43. Patronage Capital End-of-Year (40+41-42)	0	0
44. Annual Debt Service Payments	1,069,871	1,459,019
45. Cash Ratio [(14+20-10-11) / 7]	0.6740	0.5440
46. Operating Accrual Ratio [(14+20+26) / 7]	0.9417	0.8815
47. TIER [(31+26) / 26]	2.7724	4.3323
48. DSCR [(31+26+10+11) / 44]	1.6995	1.9903

USDA-RUS

**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

INSTRUCTIONS - See RUS Bulletin 1744-2

BORROWER DESIGNATION

WA0534

PERIOD ENDED

December, 2017

Part C. SUBSCRIBER (ACCESS LINE), ROUTE MILE, & HIGH SPEED DATA INFORMATION

EXCHANGE	1. RATES		2. SUBSCRIBERS (ACCESS LINES)			3. ROUTE MILES	
	B-1 (a)	R-1 (b)	BUSINESS (a)	RESIDENTIAL (b)	TOTAL (c)	TOTAL (including fiber) (a)	FIBER (b)
DEWATTO	27.00	22.00	14	288	300	157.60	53.42
PRESCOTT	26.50	18.00	38	97	135	208.09	53.15
ROSLYN	24.00	18.00	212	1,231	1,443	220.00	96.38
UNIONTOWN	25.00	18.00	123	278	401	309.21	64.25
LEON	40.68	25.76	1	25	26	20.37	13.14
LENORE	40.68	25.76	18	200	218	178.34	12.00
MobileWireless					0		
Route Mileage Outside Exchange Area						6.47	6.47
Total			406	2,117	2,523	1,100.08	298.81
No. Exchanges	6						

USDA-RUS

**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

INSTRUCTIONS - See RUS Bulletin 1744-2

BORROWER DESIGNATION

WA0534

PERIOD ENDED

December, 2017

Part C. SUBSCRIBER (ACCESS LINE), ROUTE MILE, & HIGH SPEED DATA INFORMATION

4. BROADBAND SERVICE

Details on Least Expensive Broadband Service								
EXCHANGE	No. Access Lines with BB available (a)	No Of Broadband Subscribers (b)	Number Of Subscribers (c)	Advertised Download Rate (Kbps) (d)	Advertised Upload Rate (Kbps) (e)	Price Per Month (f)	Standalone/Pckg (f)	Type Of Technology (g)
DEWATTO	300	235	34	768	512	39.95	Package	DSL
PRESCOTT	135	60	13	768	512	39.95	Package	DSL
ROSLYN	1,443	1,189	164	6,000	1,500	49.95	Package	DSL
UNIONTOWN	401	232	158	6,000	1,500	49.95	Package	DSL
LEON	26	21	14	6,000	1,500	49.95	Package	DSL
LENORE	218	119	59	768	512	39.95	Package	DSL
Total	2,523	1,856						

**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

BORROWER DESIGNATION

WA0534

PERIOD ENDING

December, 2017

INSTRUCTIONS- See RUS Bulletin 1744-2

PART D. SYSTEM DATA

1. No. Plant Employees 18	2. No. Other Employees 40	3. Square Miles Served 463	4. Access Lines per Square Mile 5.45	5. Subscribers per Route Mile 2.29
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PART E. TOLL DATA

1. Study Area ID Code(s) a. 472423 b. 522423 c. _____ d. _____ e. _____ f. _____ g. _____ h. _____ i. _____ j. _____	2. Types of Toll Settlements (Check one)			
	Interstate:	<input type="checkbox"/> Average Schedule	<input checked="" type="checkbox"/> Cost Basis	
	Intrastate:	<input type="checkbox"/> Average Schedule	<input checked="" type="checkbox"/> Cost Basis	

PART F. FUNDS INVESTED IN PLANT DURING YEAR

1. RUS, RTB, & FFB Loan Funds Expended	
2. Other Long-Term Loan Funds Expended	
3. Funds Expended Under RUS Interim Approval	
4. Other Short-Term Loan Funds Expended	
5. General Funds Expended (Other than Interim)	1,302,430
6. Salvaged Materials	
7. Contribution in Aid to Construction	
8. Gross Additions to Telecom. Plant (1 thru 7)	1,302,430

PART G. INVESTMENTS IN AFFILIATED COMPANIES

INVESTMENTS (a)	CURRENT YEAR DATA		CUMULATIVE DATA		
	Investment This Year (b)	Income/Loss This Year (c)	Cumulative Investment To Date (d)	Cumulative Income/Loss To Date (e)	Current Balance (f)
1. Investment in Affiliated Companies - Rural Development	1,180,676		1,989,282		1,989,282
2. Investment in Affiliated Companies - Nonrural Development					

**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

BORROWER DESIGNATION

WA0534

PERIOD ENDING

December, 2017

PART H. CURRENT DEPRECIATION RATES

Are corporation's depreciation rates approved by the regulatory authority with jurisdiction over the provision of telephone services? (Check one)

YES NO

EQUIPMENT CATEGORY	DEPRECIATION RATE
1. Land and support assets - Motor Vehicles	16.00%
2. Land and support assets - Aircraft	
3. Land and support assets - Special purpose vehicles	
4. Land and support assets - Garage and other work equipment	16.00%
5. Land and support assets - Buildings	4.00%
6. Land and support assets - Furniture and Office equipment	15.00%
7. Land and support assets - General purpose computers	25.00%
8. Central Office Switching - Digital	9.00%
9. Central Office Switching - Analog & Electro-mechanical	
10. Central Office Switching - Operator Systems	
11. Central Office Transmission - Radio Systems	13.00%
12. Central Office Transmission - Circuit equipment	11.19%
13. Information origination/termination - Station apparatus	
14. Information origination/termination - Customer premises wiring	
15. Information origination/termination - Large private branch exchanges	
16. Information origination/termination - Public telephone terminal equipment	
17. Information origination/termination - Other terminal equipment	
18. Cable and wire facilities - Poles	7.59%
19. Cable and wire facilities - Aerial cable - Metal	42.06%
20. Cable and wire facilities - Aerial cable - Fiber	5.00%
21. Cable and wire facilities - Underground cable - Metal	6.00%
22. Cable and wire facilities - Underground cable - Fiber	5.00%
23. Cable and wire facilities - Buried cable - Metal	
24. Cable and wire facilities - Buried cable - Fiber	
25. Cable and wire facilities - Conduit systems	
26. Cable and wire facilities - Other	

USDA-RUS		BORROWER DESIGNATION	
OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS		WA0534	
INSTRUCTIONS – See help in the online application.		PERIOD ENDED	
		December, 2017	
PART I – STATEMENT OF CASH FLOWS			
1. Beginning Cash (Cash and Equivalents plus RUS Construction Fund)		1,098,425	
CASH FLOWS FROM OPERATING ACTIVITIES			
2. Net Income		1,055,572	
<i>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</i>			
3. Add: Depreciation		1,531,366	
4. Add: Amortization		182	
5. Other (Explain) SEE NOTES SECTION		(672,861)	
<i>Changes in Operating Assets and Liabilities</i>			
6. Decrease/(Increase) in Accounts Receivable		(352,823)	
7. Decrease/(Increase) in Materials and Inventory		(565)	
8. Decrease/(Increase) in Prepayments and Deferred Charges		(56,161)	
9. Decrease/(Increase) in Other Current Assets		0	
10. Increase/(Decrease) in Accounts Payable		(65,086)	
11. Increase/(Decrease) in Advance Billings & Payments		0	
12. Increase/(Decrease) in Other Current Liabilities		26,966	
13. Net Cash Provided/(Used) by Operations		1,466,590	
CASH FLOWS FROM FINANCING ACTIVITIES			
14. Decrease/(Increase) in Notes Receivable		0	
15. Increase/(Decrease) in Notes Payable		0	
16. Increase/(Decrease) in Customer Deposits		66	
17. Net Increase/(Decrease) in Long Term Debt (Including Current Maturities)		(1,133,011)	
18. Increase/(Decrease) in Other Liabilities & Deferred Credits		753,062	
19. Increase/(Decrease) in Capital Stock, Paid-in Capital, Membership and Capital Certificates & Other Capital		0	
20. Less: Payment of Dividends		0	
21. Less: Patronage Capital Credits Retired		0	
22. Other (Explain) SEE NOTES SECTION		(753,128)	
23. Net Cash Provided/(Used) by Financing Activities		(1,133,011)	
CASH FLOWS FROM INVESTING ACTIVITIES			
24. Net Capital Expenditures (Property, Plant & Equipment)		2,122,452	
25. Other Long-Term Investments		(300,577)	
26. Other Noncurrent Assets & Jurisdictional Differences		0	
27. Other (Explain) SEE NOTES SECTION		(1,874,339)	
28. Net Cash Provided/(Used) by Investing Activities		(52,464)	
29. Net Increase/(Decrease) in Cash		281,115	
30. Ending Cash		1,379,540	

Revision Date 2010

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	BORROWER DESIGNATION WA0534
INSTRUCTIONS - See RUS Bulletin 1744-2	PERIOD ENDED December, 2017

NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS

INLAND TELEPHONE COMPANY

CASH FLOW RECONCILING EXPLANATIONS

RUS OPERATING REPORT 2017

Description	Amount
Line 5 Other	
Depreciation and amortization on nonregulated investments	94,002.00
Change in deposits	66.00
Cash surrender value of life insurance	(7,739.00)
Less plant in AP	66,899.00
Deferred FIT	(872,159.00)
Building Sale	(322,562.00)
Affiliate	369,113.00
Deposit for Building	5,200.00
Non-cash stock dividend	(5,681.00)
Total Amount of Adjustment	(672,861.00)
Line 22 Other	

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	BORROWER DESIGNATION WA0534
INSTRUCTIONS - See RUS Bulletin 1744-2	PERIOD ENDED December, 2017
NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	
Operating deferred FIT on Investments	1,190.00
Non-cash transfer of deferred FIT	(1,626,411.00)
Change in deposits	(66.00)
Operating deferred FIT	872,159.00
Total Amount of Adjustment	(753,128.00)
Line 27 Other	
Retirements/Transfers in Net Plant	(3,300,620.00)
Other comprehensive income - unrealized gain	292.00
Cash surrender value of life insurance	7,739.00
Non-cash stock dividend	5,681.00
Affiliate	(369,113.00)
Building Sale	317,362.00
Deferred FIT on investments	(1,190.00)
Plant in AP	(66,899.00)
Non-cash transfer of deferred FIT	1,626,411.00
Operating depreciation on long-term investments	(94,002.00)
Total Amount of Adjustment	(1,874,339.00)

**INLAND TELEPHONE COMPANY
CASH FLOW RECONCILING EXPLANATIONS
RUS OPERATING REPORT 2017**

Description	Amount
Line 5 Other	
Depreciation and amortization on nonregulated investments	94,002.00
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Building Sale	(322,562.00)
Affiliate	369,113.00
Deposit for Building	5,200.00
Non-cash stock dividend	<u>(5,681.00)</u>
Total Amount of Adjustment	<u>(672,861.00)</u>
Line 22 Other	
Operating deferred FIT on Investments	1,190.00
Non-cash transfer of deferred FIT	(1,626,411.00)
Change in deposits	(66.00)
Operating defered FIT	<u>872,159.00</u>
Total Amount of Adjustment	<u>(753,128.00)</u>
Line 27 Other	
Retirements/Transfers in Net Plant	(3,300,620.00)
Other comprehensive income - unrealized gain	292.00

Cash surrender value of life insurance	7,739.00
Non-cash stock dividend	5,681.00
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Building Sale	317,362.00
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Plant in AP	(66,899.00)
Non-cash transfer of deferred FIT	1,626,411.00
Operating depreciation on long-term investments	<u>(94,002.00)</u>
Total Amount of Adjustment	<u><u>(1,874,339.00)</u></u>

EXHIBIT 7

**REPORT CORPORATE OPERATIONS EXPENSE ADJUSTMENT
AS REQUIRED IN WAC 480-123-110(1)(e)(vi)**

INLAND TELEPHONE COMPANY - SAC 522423

Exhibit 7
Report Corporate Operations Expense Adjustment
As Required in WAC 480-123-110(1)(e)(vi)

I, James K. Brooks, an officer of Inland Telephone Company with personal knowledge and responsibility, under penalty of perjury, hereby certify that no amount of corporate operations expense was required by 47 C.F.R. § 54.1308(a)(4)(ii) to be excluded by Inland Telephone Company (“Company”) from corporate operations expense that, for 2016, was input in both the high cost loop support and interstate common line support cost studies of the Company for the Company’s study area(s) in the State of Washington, or that, for 2017, was input in both the high cost loop support and broadband loop support (in part, replacing interstate common line support) cost studies of the Company for the Company’s study area(s) in the State of Washington

Dated this 30th day of July, 2018 in Roslyn, Washington.

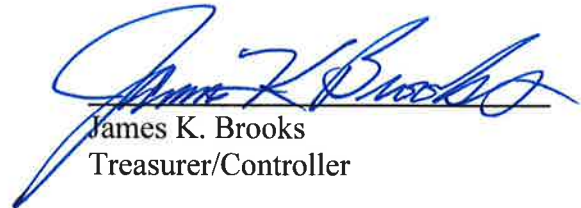

James K. Brooks
Treasurer/Controller

EXHIBIT 8

FINANCIAL ACCOUNTING CERTIFICATE

INLAND TELEPHONE COMPANY - SAC 522423

EXHIBIT 8

FINANCIAL ACCOUNTING CERTIFICATE

I, James K. Brooks, an officer of Inland Telephone Company with personal knowledge and responsibility, based upon my discussions with Company staff that handle such matters, under penalty of perjury, state that the Company complies with state and federal accounting, cost allocation and cost adjustment rules pertaining to incumbent local exchange companies.

Dated this 30th day of July, 2018 in Roslyn, Washington.


James K. Brooks
Treasurer/Controller

EXHIBIT 9

CONTINUED OPERATIONS CERTIFICATE

INLAND TELEPHONE COMPANY - SAC 522423

EXHIBIT 9

CONTINUED OPERATIONS CERTIFICATE

I, James K. Brooks, an officer of Inland Telephone Company, under penalty of perjury, hereby certify that if the Company receives Program support, the Company will continue to provide communications services pursuant to its tariffs on file with the Commission throughout its service territory in Washington for which the company is seeking and receives Program support during the entirety of 2019.

Dated this 30th day of July, 2018 in Roslyn, Washington.


James K. Brooks
Treasurer/Controller